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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Thursday October 2 1986

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Major changes for
West German
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No. 30,047

World news

Business summary

Nuclear deal is Moscow's target

Moscow wants next week's meeting in Iceland between Mikhail Gorbachev and President Ronald Reagan to focus primarily on the limitation of nuclear weapons.

Other issues, including the future of 25 Soviet UN diplomats ordered to leave the US, will also be discussed, however.

The Soviet Foreign Ministry spokesman said Moscow sees the Reykjavik meeting on October 11 and 12 as one allowing the two leaders to give clear directions to their negotiators to conclude two or three drafts on the limitation of nuclear weapons. Reagan's political home, Page 4

Chirac warning

French Prime Minister Jacques Chirac said France would retaliate without pity if it identified any country behind the recent Paris bombings but added that there was no evidence implicating Syria.

Sudan flight delayed

Unexplained last-minute snags grounded a relief flight to starving people in southern Sudan but it is expected to take off from Khartoum "within 24 hours".

Aquino rejects plea

President Corason Aquino of the Philippines flatly rejected a lettering demand for the release of the captured leader of the country's Communist Party, Rodolfo Sales, saying that ceasefire talks with communist rebels can be revived, Page 6

Nigerian leader ill

A parade to mark Nigerian independence was cut short in Abuja when President Ibrahim Babangida, 45, left suddenly because he was feeling unwell.

French captive free

French television cameraman Jean-Marc Groussin, kidnapped in Beirut on Sunday, escaped from his captors in heavy rain.

Lange security lapse

New Zealand Prime Minister David Lange ordered an inquiry into how a police folder containing details of his personal security arrangements was found lying in a Wellington street. Fairer tax, Page 6

American expelled

US journalist John Barthelme left Malaysia for Singapore after the High Court rejected his appeal against an expulsion order made for "security reasons". Editorial comment, Page 18

Pakistan retaliates

British nationals visiting Pakistan from the start of next year will require a prior visa. Islamabad said the decision was taken because Britain had imposed a similar requirement on Pakistanis.

Libyans accused

The crew of a Norwegian freighter detained by Libya in 1984 were subjected to systematic torture by their guards, a psychiatrist said in his report on their ordeal.

Lord Kaldor dies

Lord Kaldor, economic adviser to British Labour governments of the 1960s and 1970s and one of the most influential economists of his generation, died in hospital in England, aged 78. Obituary, Page 8

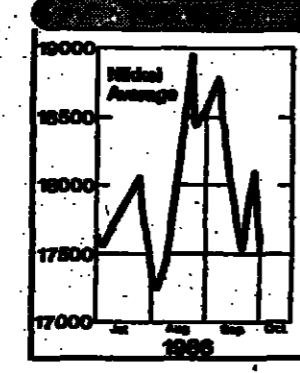
Kiss of death

A Chinese bride died on her wedding day from heart palpitations caused by the "passion, intensity and length" of a kiss she received from her new husband, a newspaper in north-east China reported.

British Gas gives sell-off details

BRITISH Gas flotation by early December is to allow a guaranteed minimum allocation of 250 (300) worth of shares available for each customer "household" in Britain.

WALL STREET: The Dow Jones industrial average closed up 15.32 at 1,782.90. Page 42



TOKYO: Late selling by securities companies took share prices sharply lower. The Nikkei average lost 288.47 to 17,384.38. Page 42

LONDON was battered by the stock start on Wall Street although much of the strength came from a narrow band of industrials. The FTSE 100 index closed 22.5 higher at 1,578.3 and the FT Ordinary share index rose 24.7 to 1,251.7. Page 42

STERLING closed in New York at \$1.4480. It lost a little ground in nervous trading, falling 0.1 on the Bank of England's trade-weighted index to 88.9. In London it ended at DM 2.82 (DM 2.8225), \$1.4450 (\$1.4470), ¥222.75 (¥223.35), SFR 2.37 (SFR 2.3825) and FF 9.5650 (FF 9.6125). Page 35

GOLD fell 5% to finish in London at \$423. In New York the Comex December settlement was \$422.20. Page 34

DOLLAR fell to DM 2.0215 (DM 2.0270), ¥154.15 (¥154.35), SFR 1.8410 (SFR 1.8480), and FF 8.52 (FF 8.625). Page 35

SWITZERLAND's three leading stock exchanges are next Monday to introduce continuous trading for a number of major Swiss equities. Page 24

BOUYGUES, leading French construction group, has acquired a 10 per cent stake in Spie-Batignolles, the civil engineering concern controlled by the French Schneider conglomerate, in a further attempt to expand its operations. Page 21

GUINNESS Food Group, UK financial services company, is expanding its presence in the US market by buying Forstmann-Leff Associates, a privately owned New York investment advisory company in a deal worth about \$100m (\$144m). Page 21

MONTEDISON: Mario Schimberni, chairman of Italy's Montedison group, faces a new offensive organised by Enrico Cuccia of the powerful Mediobanca merchant bank against his purchase of a large shareholding in a Florence-based insurer. Page 21

FRATTI Hotel, Dallas-based hotel and casino operator, has withdrawn its \$110m bid for Resorts International, owner of extensive casino and land interests in Atlantic City and the Caribbean. Page 21

DOMO Petroleum, troubled Canadian energy producer which is asking holders of Swiss franc and dollar bonds for a deferral of interest and principal payments, said it had not made a payment of about \$240,000 (US\$280,000) to Bayerische Landesbank, scheduled for Tuesday. Page 21

LAFARGE Copee, large French cement group which has been expanding its biotechnology activities, announced a threefold rise in first-half profits to FF 570m (\$86.7m). Page 22

VOLKSWAGEN Amil group expects to beat its 1979 sales record when models from Seat, previously state-owned Spanish group which became a VW subsidiary in June, are taken into account. Page 23

Northwest's order for Airbus jets could top \$3bn

BY OUR FOREIGN STAFF

AIRBUS INDUSTRIE, the European aerospace consortium, has won its second major order in the US in less than 18 months.

Northwest Airlines has signed an agreement to buy up to 100 A-320-200 twin-engine aircraft. The Minneapolis-based company said the total value of the contract, including spares and support equipment could total \$3.2bn.

In May last year, Airbus won a major contract for 38 A-310 and A-320 jets from Pan Am, another major US airline. This order was worth \$1.1bn.

The latest order consolidates the European consortium's push into the fiercely competitive US market in competition with domestic manufacturers, Boeing and McDonnell-Douglas.

It is one of the biggest airline orders in US aviation history and the first of an expected series of major orders as the US airlines re-equip their ageing fleets for the 1990's.

The A320-200 which is scheduled to make its first flight next spring, will seat 150 passengers and is the only new advanced technology aircraft in production, says its manufacturer. Its fuel consumption is half the average of Northwest's current fleet and the aircraft is one of the quietest.

Under the agreement signed yesterday, Northwest will acquire 10 A-320s for delivery in 1990 and 1991. The agreement provides for Northwest to buy up to a further 90 A-320s for delivery by 1995.

Airbus is based in Toulouse, France, and controlled by French, West German, British and Spanish aerospace companies.

British Aerospace said last night its share of the new order would be \$400m (\$570m).

The other partners in the European joint venture are Aerospaciale de France, Messerschmitt-Bölow-Blohm of West Germany and Cesa of Spain.

The leading engine supplier for the A-320 is the International Aero Engines consortium made up of Rolls-Royce of the UK and Pratt & Whitney of the US, each with a 30 per cent share, along with Japan Aero Engines, MTU of West Germany and Italy's Fiat.

No decision has been made about which manufacturer will supply the engines for the 150-seat medium range aircraft.

Northwest will have the option to lease the first 10 aircraft which it is committed to buy from financial institutions on favourable terms. The remaining 90 are to be made available to Northwest in a series of six blocks of 15 aircraft each.

Northwest will be able to confirm or cancel any or all of the aircraft offered in each block, after the initial 10 aircraft.

Mr Steven Bothmeier, chairman and chief executive of NWA, Northwest Airlines parent company, said yesterday "This deal affords Northwest great flexibility in developing a long-term fleet plan. This is one of the few times that an aircraft manufacturer is sharing the risk with a major airline in the development of a competitive fleet."

"The flexibility in this agreement will allow Northwest to add additional capacity or to replace older Boeing 727s and CD 9s in our fleet in a manner that suits market needs and economic conditions as well as the financing capability of the airline."

Northwest recently won US Government approval to acquire Republic Airlines, also based in Minneapolis. The takeover, which would be worth \$884m, would allow Northwest to become the third largest US carrier after United Airlines and American Airlines.

The A-320, which is an extension of the Airbus's earlier A-300 and A-310 programmes, makes its first flight next year before entering service with Air France and British Caledonian in 1988.

S African miners stage biggest ever strike

BY ANTHONY ROBINSON IN JOHANNESBURG

THE DAY of mourning called by South Africa's black National Union of Mineworkers in memory of the 177 gold miners killed in last month's KwaNtleni mine disaster, led to the biggest stayaway ever in the mines, the union claimed last night.

A total of 335,000 miners and 275,000 other workers were said to have been involved.

But Mr Cyril Ramaphosa, the union's general secretary, said the protest, which undermined the extent of union support and the strength of feeling about the campaign for greater health and safety provisions, was marred by several incidents of tear gas and police harassment.

Union officials reported that 150 miners were arrested at Welkom in the Orange Free State on their way to a memorial service and tear gas was used against singing and chanting miners at the Witbank Mine near KwaNtleni. At Vaal Reefs, workers were tear gassed in their

hostels but later received an apology from mine management.

Mr Ramaphosa added that the union executive would be meeting at the weekend to discuss the union's attitude towards sanctions. He added that further action which could affect gold production would be discussed, but declined to give details.

In a show of solidarity for the miners, some 275,000 members of other unions affiliated to the Congress of South African Trade Unions (Cosatu) staged various forms of work stoppages which mainly affected the steel and chemicals industries said Mr Jay Naidoo, a senior official of the federation.

General secretary of the KwaNtleni mine said that 70 per cent of its 97,000 gold miners did not turn up for work, along with half its 14,000 coal miners. Anglo American Corporation said that 150,000 of its 180,000 workers stayed away.

Chrome and other mines were also

affected by the stay away, while De Beers reported that only 2,500 out of a total workforce of 11,200 turned up at its diamond mines. Anglo, Vaal and Rand mines, however, reported "no abnormal absenteeism".

Management and office workers and those miners who did work observed a five minutes silence at mid-day and the flag at General headquarters in Johannesburg was lowered to half mast as Mr Derek Keys, the executive chairman, led 35 top executives in a brief prayer meeting.

President P.W. Botha, who opened the South African Parliament in January with a bold statement that apartheid was "an outdated concept", yesterday concluded this year's cycle of provincial parliament in the Indian Ocean port

Continued on Page 20

Ford proposes plan to acquire 51% holding in Alfa Romeo

BY JOHN WYLES IN ROME AND JOHN GRIFFITHS IN LONDON

FORD of the US has delivered firm proposals for the future of Alfa Romeo, the Italian state-owned car-maker.

IRI-Finmeccanica, the state holding company which is Alfa's major shareholder, has committed itself to giving a formal response by November 7.

A joint statement by Ford and Finmeccanica last night said the proposals could restore the "long-standing need for reorganisation" for Alfa Romeo.

"They are understood to involve Ford acquiring initially a 20 per cent stake in the loss-making company, leading to a 51 per cent stake and management control within three years."

The joint statement said negotiations had been frank.

"We believe the Ford offer is eminently sensible from Alfa Romeo's point of view, since it recognises the

necessity to continue the independence and integrity of this important automotive marque. The offer also recognises the need to restore the position of Alfa Romeo cars and engines in regard to its prestige competitors," it said.

Ford said it would refuse all further comment until a reply has been received. The inclusion of a firm date for Finmeccanica to respond, however, appears aimed at forcing the hand of Fiat.

A factor seriously complicating Finmeccanica's handling of the issue is Fiat's undertaking to improve on Ford's offer once Fiat knows the details. The IRI leadership has made little secret of its preference for an arrangement with Ford after exploring some Fiat proposals for Alfa at the turn of the year.

A final decision on Alfa's future will be taken within the Government, although ministers are prom-

ising a more orderly procedure than that which last year produced Prime Minister Bettino Craxi's surprise veto on the sale of the IRI food subsidiary SME to Mr Carlo De Benedetti.

This means that if Finmeccanica's response is to be a clear one, the Ford offer must swiftly clear the Government's inter-ministerial industrial policy committee which is supposed to examine it for its impact on the structure of the national motor industry and on employment.

The final judgement is supposed to be left to the Minister for State Participation, Mr Clelio Darida, once he has taken opinions from IRI and his colleagues in the Government. But no one is excluding an intervention by Mr Craxi, who has already expressed a preference for an "Italian solution" for Alfa.

Losses at Renault division, Page 21

US warning dims hopes of \$ stability

BY PHILIP STEPHENS IN WASHINGTON AND GEORGE GRAHAM IN LONDON

THE DEEP disagreements between leading industrial countries on exchange and interest rates resurfaced in public again yesterday as the US administration emphasised that it had not agreed to European calls to stabilise the dollar.

Mr James Baker, the US Treasury Secretary, said that there were still differences between governments over the degree of "further adjustment" of the dollar's value needed to generate a sustainable trade pattern between major economies.

Mr Baker, speaking at the annual meeting of the International Monetary Fund, also indicated that the US remained dissatisfied with the efforts of European governments to promote faster growth in their economies.

Mr Gerhard Stoltenberg, West Germany's Finance Minister, made clear that his country, which has borne the brunt of US pressure at this week's series of meetings, would not accede to calls for it to boost economic growth by cutting interest rates.

"We believe that credibility, predictability and a clearly-defined medium-term orientation are necessary prerequisites of a successful growth strategy. While we all have to follow the situation closely, it is essential to avoid drifting back to short-term economic fine-tuning," he told the IMF meeting.

Mr Baker's remarks injected a note of uncertainty into financial markets and both the dollar and the pound weakened slightly.

Starting markets continued to benefit from fears that the West German Bundesbank might renew its operations in support of the pound, and three month interest rates edged down by 1/4 percentage point to 10 1/4 per cent.

The Bank of England indicated its continued support for the existing structure of interest rates by lending money to the discount houses at 10 per cent, equal to the bank base rate the authorities have been seeking to defend for the last few weeks.

The dollar lost more than 1/4 pig to close in London yesterday at DM 2.0215, and weakened a shade further in early trading in New York. The pound remained virtually unchanged against the dollar at \$1.445, but lost 1 1/4 pig to DM 2.82.

Share prices rose in both London and New York, however. The FT Ordinary share index gained 24.7 to 1,251.7, while the Dow Jones Industrial Average moved 20 points higher in early Wall Street trading.

Mr Baker said that the dollar's sharp depreciation since last year

Continued on Page 20

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Poor oil sales halt Nigerian debt drive

BY MICHAEL HOLMAN IN LONDON

NIGERIA's protracted efforts to manage its estimated \$8.5bn trade debts appear to have collapsed.

The country's central bank told creditors this week that it was unable to make the first payment of principal due next week on promissory notes issued to cover arrears in payments for imports in the early 1980s.

A circular issued on Monday by the Central Bank of Nigeria said that it was unable to make the payment because of the sharp drop in oil exports from \$11.9bn in 1985 to a forecast \$6.5bn this year. Oil accounts for more than 90 per cent of Nigeria's foreign-exchange earnings.

The amount due next week is not known, but since only a small portion of the trade debt has been covered by the notes, it is not thought to be substantial. The

Bank's inability to raise what is a comparatively small amount is an indication of the severity of Nigeria's economic crisis.

The Bank has called a meeting of noteholders in London next month at which it will put forward proposals for renegotiation of the period over which the principal will be paid.

The development is the latest step in the long running and complex saga of Nigeria's trade arrears which reached at least \$4bn in 1982 and 1983, with a further \$2.5bn accumulating in the past year. The majority of the arrears are owed to British companies, some of which have Export Credit Guarantee Department (ECGD) cover.

The Government attempted to resolve the problem with the issue of promissory notes carrying interest Nigeria at crucial stage, Page 4

Choice of new BBC chairman sparks political row

By Raymond Snoddy in London

MR MARMADUKE "Duke" Huxley, the man who led Britain's Times Newspapers in its unsuccessful battle against the UK's print unions eight years ago, was at the centre of a political row yesterday when he was appointed chairman of the BBC, the most influential job in British broadcasting.

Opposition Labour MPs attacked the choice of Mr Huxley by Mrs Margaret Thatcher, the Prime Minister, as "provocative".

Mr Gerald Kaufman, shadow Home Secretary, said the appointment was outrageous and that a future Labour government would try to remove Mr Huxley, a former chief executive of Times Newspapers.

Mr Huxley was to be a director of Times Newspaper Holdings with a roving brief to look at long-term strategy and how other newspapers were coping with the problems of the future.

"The strains on top management in Fleet Street these days are almost unique in industry and will not diminish. After 14 years as a Fleet Street managing director, Duke Huxley needs a rest from the intolerable pressures of day-to-day management," Sir Denis Hamilton, editor-in-chief of the group, said.

It seemed like the gentle end to a lifetime's career in newspapers that began as a messenger at the Daily Mail rather than anything that would eventually lead to the most influential job in British broadcasting.

Mr Huxley may have come to the attention of Mr Douglas Hurd, the Home Secretary, because of his chairmanship of a struggling independent local radio (ILR) station Radio West in Bristol. He put together a refinancing package for one of the most vulnerable stations in the ILR system and played a key role in negotiating a merger with a neighbouring station, covering Swindon to create a profitable company - Great Western Radio.

He was an effective lobbyist at the Home Office on behalf of the deregulation of local commercial radio in the UK, and ironically was opposed to plans for a new BBC radio station for Swindon-Radio Wiltshire. He may now have to open it.

The chairmanship of the BBC is in theory and often in practice the most powerful position in the corporation. The governors are the BBC in that they represent the public interest and have absolute power to hire and fire the executive management, including the director general.

In practice there is a lot of room for ambiguity in the three-sided relationship with the board of managers. Background, Page 8

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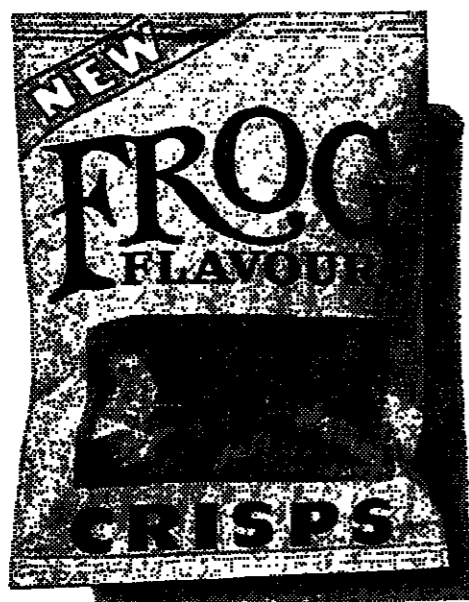
*Service begins 27th October.

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EUROPEAN NEWS

Laura Raum writes from Amsterdam on next weekend's opening of the Oosterscheldt storm barrier

High-technology barrage to protect Dutch environment



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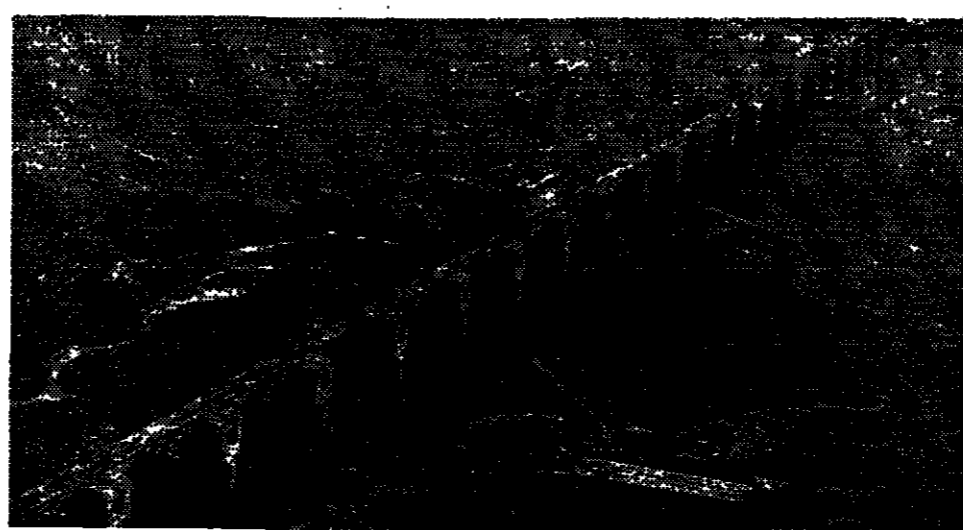
WHEN Queen Beatrix of the Netherlands stands atop the Oosterscheldt storm-surge barrier on Saturday and flips a lever, a series of mammoth steel gates will drop and temporarily stop the North Sea from washing into the Zeeland estuary.

The inauguration before 25,000 people will mark the completion of the high-technology barrier which has been called the eighth wonder of the world: a permeable dam that will allow tidal waters to flow in except during dangerous storms. Both the delicate natural environment and the physical safety of the Zeelanders will be protected.

The Fl 7.5bn (\$2.4bn) barrier on the Oosterschelde estuary at the mouth of the Rhine river highlights the end of a 30-year delta works project designed to protect the province of Zeeland from the kind of catastrophic floods of 1953 that killed 1,850 people and destroyed farms and industry.

The entire Fl 14bn delta works is the largest water-control project in the world, a huge network of barriers, dams, canals, dikes and locks that have been woven into the mouth of three rivers in a bid to wrest control of the sea. It is likely to be the last big water-control project engineered by the Dutch, who have spent centuries protecting their country—half of which is below sea level—from water.

On Saturday the spectators, including royalty and presidents, will watch as the 62 steel gates weighing as much



Tops of some of the 65 concrete piers during construction of the barrage

as 480 tonnes slowly descend to the river bed. The sluice gates are hung between 65 massive concrete piers to form a 3-km long barrier that will be topped by a highway next year. Within 48 hours the tides will stop and the gates will then be raised to minimise any environmental damage to the famous Zeeland oyster beds and rare migratory geese.

With the completion of the entire delta works, the chances have been slashed to only once in 4,000 years that stormy seas will flood over the barrier leaving the homes of as many as 2m people 6 ft below sea level. The chances of someone dying in a flood have been

reduced to one in 10m, statisticians estimate.

Originally a traditional dam was to have been constructed across the Eastern Scheldt (Oosterschelde), one of the finger-like water ways created by the confluence of the Scheldt, Rhine and Maas rivers.

By the early 1970s, however, a new generation of Dutchmen had grown up who were as much concerned with preserving the delicate ecological balance of the estuary as with protecting their own lives. An amalgamation of environmentalists, professional fishermen and recreational anglers argued that rare geese and birds, shellfish, sea life and

plants could be jeopardised if the natural tidal flows were halted.

Averting a cabinet crisis in 1973, it was decided to seek an alternative to a traditional dam and Dutch engineers set about the task of creating a storm-surge barrier with some relish. With years of experience in controlling water, the engineers came up with a solution that was a barrier formed of 65 wedge-shaped concrete piers with sluice gates hung between them.

To ensure an even and stable surface for the road atop the barrier, the river bed was dredged smooth and laid with "mattresses" of stone-weighted

mastic asphalt slabs upon which the piers were planted. "Aprons" of stone-filled asphalt slabs and huge boulders were then carefully laid around the base of the piers to anchor them.

The highly computerised control centre includes hydrological and meteorological information systems, fault monitoring devices and an early warning system that assimilates data from various sources. During unmanned periods the early warning system will determine whether monitoring teams should be called in.

Construction has been carried largely by Dossbouw, a consortium of the leading names in Dutch contracting: Ballast Nedam, Breejenhout, HOLLANDEsche Beton Groep and Royal Volker Stevin among others. The cost has more than doubled to Fl 7.5bn from an original Fl 3.5bn while construction delays have pushed the completion into next year from an original deadline of 1985.

The entire delta works project involves a highly complex network of eight dams, a major canal, several locks and raised dikes to harness the Rhine mouth for commerce, shipping, tourism and the environment. With its myriad of islands and estuaries, Zeeland has promoted a lively tourist industry that has profited from the new bridge highways across the delta.

The picturesque province with its gently rolling hills and quaint villages had been rather isolated by the numerous water ways. New Zealand is worried

about a sharp rise in unemployment following completion of the project, which took 60 per cent of its 1,900 workers from the province at one time.

Like the Oosterschelde, the whole delta works has surged in costs over the three decades of construction. Originally estimated to cost Fl 2.5bn, the final price tag is more than five times that high—much of that due to the Oosterschelde.

Critics have questioned whether the Fl 7.5bn for the storm-surge barrier could have better been spent elsewhere. Questions have even come from within the Public Works Ministry, which has carried out the project. In 1980 Mr Tjebbe Visser, public works' project leader for the barrier, said: "This is the first Dutch water control project which will provide no economic gain. It is an unusual project in that no land will be reclaimed or irrigated. Only the interests of safety and nature will be served."

Public spending on the delta works project has been so massive that total government investments will fall by 3 per cent next year and about one-fifth of the jobs in the Public Works Ministry will end in the coming four years.

The delta project may be the last of such efforts now that the cabinet has decided to drop plans for reclaiming land from the IJsselmeer, formerly called the Zuider Zee.

Not the least of the Dutch hopes for this weekend is that other countries contemplating water projects will invite Dutch contractors to bid.

Le Pen condemns Athens

BY ANDRIANA IERODIACONOU

MR JEAN MARIE LE PEN, leader of the French extreme right National Front party, yesterday accused the Greek Government of being "undemocratic" for banning a conference of European right-wingers to have taken place last weekend in Salonika and said he was determined to hold the event in Greece at the beginning of December.

The Athens Government advised the organisers of the conference last week that it could not take place because Greece is going through a pre-election period—municipal elections are scheduled for

October 12—and "for reasons of public order." The Salonika municipal authorities, local students, and trade unions, had reacted strongly to the prospect of hosting the event.

Feeling against far right political forces runs high in Greece, where memories of the military dictatorship from 1967 to 1974 are still fresh. In a press conference yesterday following a closed-door meeting at the European Parliament offices in Athens of the Praesidium of the European Rights parliamentary group Mr Le Pen called for a release of the jailed ring-leaders of the Greek junta.

Yugoslav PM under attack

YUGOSLAV parliamentarians are attacking Prime Minister Branko Mikulic for failing to fulfil the government's promise to curb inflation now running at almost 100 per cent, the semi-official news-Politika said yesterday, Reuter reports from Belgrade.

It quoted one MP, Mr Lazar Zaric, as saying Mr Mikulic's promise in June to cut inflation by 20 percentage points by year-end had been forgotten. Earlier this week Mr Mikulic again promised to cut inflation, this time by 30 percentage points.

Swiss growth rate to slow

BY JOHN WICKS IN ZURICH

THE SWISS economy will continue to grow over the coming years but at a slower rate, according to a medium-term study published by the Federal Institute of Technology in Zurich.

For the current year, the report forecasts a rise in gross domestic product of some 2.4 per cent in real terms, following a 4 per cent increase in 1986. For the next year and 1988 the institute reckons on GNP growth rates of 2.2 per cent and 1.6 per cent, respectively.

Impulses are likely to come increasingly from the home market and less from such foreign-

oriented activities as exports and tourism, it is claimed. Private consumption is expected to rise by a real 3.75 per cent in 1988, 3 per cent next year and 2 per cent in 1988 as compared with 1.5 per cent last year.

Investment volumes are expected to continue at a high rate in Switzerland. Expenditure in real terms on equipment is expected to grow by 10 per cent in 1988, 6 per cent in 1987 and 4 per cent in the following year.

Exports will probably keep growing but at a much lower rate than the real 9.1 per cent booked for 1985.

FINANCIAL TIMES

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EUROPEAN NEWS

Swedish blue-collar workers join public sector strike

BY SARA WEBB IN STOCKHOLM

SWEDEN'S public sector workers stepped up their strike action yesterday when the two blue-collar worker union confederations announced plans to bring some of their members out on strike and to impose a ban on overtime.

Over 14,000 public sector workers in the white-collar union confederations came out on strike on Tuesday following the breakdown in wage negotiations and the rejection of the state-appointed mediating commission's final offer nearly two weeks ago.

Statenstämman, the Swedish state parliament, is expected to pass legislation on Tuesday which would give the public sector workers the right to impose a ban on overtime and to impose a ban on overtime.

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employers did not start before 10.00 am this morning.

The employers in the Government, municipalities, and county councils originally said they would hold direct negotiations on two conditions: if the unions dropped their demands for wage parity with the private sector and if they agreed to a wage increase of 10 per cent over 1986-87.

The unions would not agree to drop these demands, and last night, the employers rejected the possibility of direct negotiations.

SF has threatened to call out 1,750 members including ticket collectors working in the Swedish state railways, post office terminal workers, aircraft technicians, and power station workers, and will issue a ban on overtime for 175,000 members with effect from next Thursday.

SF plans a ban on overtime

for its 600,000 members who include social workers, hospital workers and local government employees, with effect from noon today.

This will bring the total number of public sector workers out on strike to over 17,000. Already, the effects of the strike are visible. Stockholm's bus service is running at 50-60 per cent of its usual level, because public transport supervisors were called out on Tuesday.

Some hospital wards have shut down and patients transferred to other areas or else told to expect delays for operations because of the shortage in nursing staff.

Strike action by customs staff is costing the government about SKr 200m (£20.2m) a day, and the municipalities say they are losing interest on taxes because cheques are not being paid in by tax administrative staff.

Daimler warns over threat to regional aid

By Jonathan Carr in Frankfurt

DAIMLER-BENZ, the fast-diversifying West German vehicle maker, has strongly defended its right to continue to receive local government aid to help build a DM 1.5bn (£638m) car plant at Rastatt in the southern state of Baden-Wuerttemberg.

Mr Werner Breitschwerdt, Daimler's chief executive, also warned that if building work at Rastatt had not begun by the start of 1988 Daimler would have to look for a site elsewhere, probably Bremen in the far north.

Mr Breitschwerdt's remarks come amid intense public debate over the aid, believed to total more than DM 120m, which Baden-Wuerttemberg's state government is putting up for the Rastatt project.

The European Commission in Brussels, trying to stamp out subsidies to the European motor industry, has already pledged to investigate the affair. Critics in West Germany argue that Daimler, as one of the country's richest companies, should not receive such an injection of taxpayers' money.

In a speech in Stuttgart, Mr Breitschwerdt said that — whether one liked it or not — governments throughout Europe sought to outdo one another in trying to get companies to settle and create jobs.

It was not up to an individual company to try to bring about a change.

The Daimler chief said that the Rastatt plant would be the company's third big domestic car plant, and would employ around 7,000 people and the Government would quickly recover in extra tax revenue what it planned to make available in aid.

He also noted that one factor favouring Rastatt was that Daimler had a plant in the relatively depressed commercial vehicle sector close at hand. The new factory could thus help absorb labour freed at the other plant.

But Mr Breitschwerdt stressed Daimler did not insist on Rastatt. If building work was delayed the company might decide on Bremen instead — an area where, he noted, investment subsidies were eligible under EEC rules because of the weak local economy.

Italy to raise airliner from sea bed

BY JOHN WYLES IN ROME

FOR SIX years the mystery surrounding the "Ustica case" has been gnawing away at the Italian body politic. Hours of investigation have failed to supply an answer as to why a DC9 airliner plunged into the sea 35 miles north of Sicily on June 27 1980. Finally, the Italian Government has declared itself ready to spend L10bn (£5m) on raising the wreckage from the sea bed.

The persistent public concern for an explanation for the loss of the aircraft and 81 lives in the waters around the island of Ustica stems from fragmentary evidence of an explosion in or around the aircraft. Successive governments say they have tried and failed to find an answer and the idea of raising the wreckage was rejected four years ago on the grounds of cost.

However, the issue was taken up personally at the end of July by President Francesco Cossiga who, in an exercise in presidential authority, asked the Government to reveal what information it had. It had very little.

At first, the discovery of traces of T4 explosive in some wreckage seemed to confirm theories of a terrorist bomb aboard the airliner which was on an internal flight from

Bologna to Palermo. But technical analysis drawing on British expertise revealed that particles of metal had entered seat cushions at a much greater speed than could be explained by a bomb explosion.

More credible, according to the Transport Ministry and magistrates' reports, is the notion that the aircraft was hit by a missile.

Some wilder unofficial explanations have had the aircraft caught up in and brought down by a Nato exercise—but there was none that day say the authorities. Perhaps equally fanciful was a link drawn with the discovery just over a year

later of the wreckage of a Libyan MiG in the Calabrian hills near Catanzaro. The Government refuses to believe that this could have been the origin of any missile.

Announcing the Government's decision to try to raise the wreckage, Mr Giuliano Amato, Prime Minister Ciriaco De Mita's closest aide, warned that examination of the wreckage may only deepen the mystery. An American reconnaissance submarine would be employed first to make sure that the exercise would be feasible. But neither he nor anyone else is confident that the mystery of flight 118 870 will ever be solved.

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Shipyard deal calms French demonstrations

By David Housage in Paris

DEMONSTRATIONS subsided in French shipyards yesterday after the Government reached an agreement with three trade unions on redundancy terms for workers losing their jobs at the yards of the bankrupt shipbuilding group Normed.

The Government had offered a cash payment to all workers of FFr 200,000 (£21,000) — the highest settlement to date in the French nationalised sector — together with retraining allowances. The Government further conceded in negotiations additional aid for companies taking on shipyard workers and a special scheme to help workers in the 45-55 age bracket to find jobs.

The Paris commercial court is to decide on Monday whether to put Normed into liquidation. It seems increasingly probable however that the Government will go on financing jobs at the yards until current orders are completed — thus providing further time for alternative users of the yards to be found.

Normed owns shipyards at La Ciotat and La Seyne on the Mediterranean and at Duneque in northern France.

Buyer unveils plans for W. German housing group

BY PETER BRUCE IN BONN

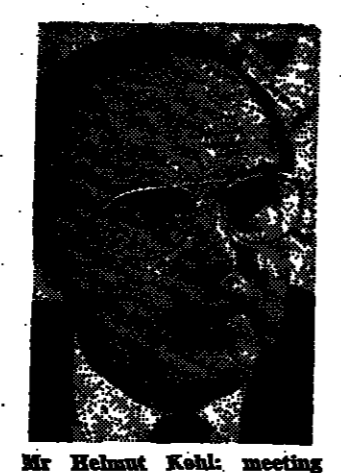
PROMISING to make it "fun once again" to be a Neue Heimat tenant, Mr Horst Schiesser, owner of a Berlin-based bakery chain, yesterday formally took over the West's biggest housing group from West Germany's trade union movement.

Mr Schiesser agreed to buy the rump of Neue Heimat, around 190,000 homes, nearly two weeks ago for a symbolic DM1 in a deal that has cost the unions dear in public esteem and political credibility.

Mr Schiesser said Neue Heimat, which when sold had liabilities of DM 17bn (£5.5bn) and short-term debts of about DM 5bn, would continue to meet its special obligations to tenants but would be managed much more strictly.

Neue Heimat was founded in the fifties under the principle of *genossenschaft*, a form of co-operative, which offers tax breaks provided no more than 4 per cent of profits are distributed. Under the deal with the unions, Mr Schiesser is committed to this system.

In return, the unions have promised to make credits worth DM 1bn available to him over the next 20 years. Meanwhile, Mr Schiesser promised, he



Mr Helmut Kohl: meeting with unions

wanted to return the group to profitability as soon as possible.

Mr Schiesser promised to make deep cuts in Neue Heimat's operating costs but did not say where.

The unions met in Bonn yesterday with Chancellor Helmut Kohl for the first time in a year and again came under pressure to release more details about the financing of the Neue Heimat deal.

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Pravda urges closer China links

BY PATRICK COCKBURN IN MOSCOW

THE TIME is right for a further improvement in the Soviet Union's relations with China, the Soviet Communist Party daily Pravda said yesterday.

The article, written to mark the 37th anniversary of the founding of Communist China, follows a sharp improvement in relations between the two biggest Communist powers.

Pravda said all the conditions now existed for "a further consolidation of traditional friendship between our two nations" although it also cautioned that much remained to be done. The Soviet

Government had earlier sent a message of congratulation to Peking, saying that it understood and respected China's economic reforms.

In recent months Peking and Moscow have exchanged official visits at an increasingly senior level. General Wojciech Jaruzelski, the Polish leader who is closely allied to Moscow, has just completed a visit to China.

Earlier last month Mr Nikolai Talyzin, the head of the Soviet State Planning Organisation, and a non-voting member of the Politburo, had trade talks in

Peking. Bilateral trade is planned to exceed 12bn roubles (£12bn) between 1986 and 1990.

Warmth in relations has increased since Mr Mikhail Gorbachev, the Soviet leader, offered to resolve border disputes between the two sides and accepted some Chinese demands. The Chinese emphasise that they still want a reduction in Soviet troops on China's northern borders.

The Soviet Union to leave Afghanistan and Vietnam to leave Cambodia but the so-called three obstacles do not appear to have hindered the recent improvement in relations.



Mr Talyzin: trade talks in Peking

EEC research funding in doubt

BY QUENTIN PEEL IN BRUSSELS

A NEW grant of cash for the second phase of the EEC's Ecu 1.5bn (£1bn) Esprit programme — designed to promote European co-operation in information technology (IT) research — is certain to run into tough scrutiny from the member states, industrialists were warned yesterday.

The European Commission has called for another Ecu750m to bring forward the second phase to 1987, because all the cash in the first phase of the programme has now been committed.

The conference was intended to review progress on the Esprit programme, which has now seen the initial funding committed to a total of 200 collaboration projects in IT research.

Esprit is regarded by the European Commission as the showpiece of its research efforts in a key field of high technology, where European collaboration is seen as essential to close the gap with the US and Japan.

Mr Karl-Heinz Narjes, the EEC Commissioner responsible, refused to contemplate the "disaster" which would result from failure by the research minister to approve his cash request. "I do not think we need even entertain such an idea," he said.

Mr Pattie, however, voiced

some wide-ranging doubts about the design of the second phase, and the cash required, for what he described as "the Commission's impressive but... ambitious proposals."

He questioned the emphasis on so-called technology integration projects, bringing together different sectors of technology, as possibly in conflict with the "co-competitive" nature of the programme so far.

He also suggested that such projects "be adopted on a much more modest and exploratory scale."

Both the UK and West Germany have been consistently dubious about the benefits of big EEC research programmes, arguing that public money is not as necessary as agreement to remove market barriers in high technology sectors.

Soviet trade in deficit with West

THE SLUMP in world oil prices kept Soviet trade with the West in the red for the first six months of 1986 with exports and imports falling in volume, according to official figures, Reuters reports from Moscow.

The Soviet Union had a 2.5bn rouble (£2.275bn) trade deficit with the West from January to June, compared with one of 4.4bn roubles in the same period last year, according to statistics published in this month's edition of the foreign trade journal *Vneshnyaya Torgovlya*.

Western embassy economists said Moscow had avoided a worse trade balance by restricting imports from the West.

Moscow had also sold a large amount of gold in apparent efforts to reduce its deficit, the economists added.

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*Part of ANZ Merchant Bank.

AMERICAN NEWS

Strike over pay closes 11 east coast ports in US

BY DAVID OWEN IN NEW YORK

US EAST COAST ports from Maine to Virginia were blocked yesterday after 30,000 members of the International Longshoremen's Association went on strike.

Eleven outlets, including ports at Boston, Baltimore, Philadelphia and New York—the largest US general cargo port—were affected. A spokesman for the New York Shipping Association, representing management in the ports of New York and Boston, said traffic would come to a complete standstill.

ILA members voted to strike from midnight on Tuesday following the failure to agree terms for a 45-day labour contract extension with two North Atlantic shipping associations. Twenty-five other ports employing ILA members in Texas and the Gulf of Mexico were unaffected. The differences stemmed

from a proposal by the Council of North Atlantic Shipping Associations, which represents ports at Providence, Baltimore, Philadelphia and Hampton Roads Virginia, asking the union to agree to a two-tier wage scale during the extension period.

According to Mr Greg Storey, spokesman for the New York Shipping Association, this would effectively reduce wage levels for workers handling uncontainerised goods to \$14 an hour from \$17 at present. Those handling containerised merchandise would continue to receive the \$17 per hour flat rate.

Ports under the auspices of the New York Shipping Association were also hit, although the association has agreed in principle to a two-year wage freeze followed by a \$1 per hour increase in the final year of the contract and did not demand the two-tier system.

US factory orders fall by 1.4%

THE US Commerce Department reported yesterday that new orders for plants and factories in August fell by 1.4 per cent from July, foreshadowing a downturn in business activity, Reuters reports from Washington.

However, spending on new construction rose 1.1 per cent in August, following a rise of 0.7 per cent in July. This figure is a broad gauge of new building activity, taking in housing as well as new productive facilities such as factories.

The value of new orders for manufactured goods fell to \$181.75bn (\$132bn), down 1.4 per cent from July. This was the steepest one-month decline since a 2.8 per cent decline in March.

The drop was larger than analysts had anticipated. The US index of leading economic indicators fell by 0.3 per cent in August compared with the previous month. The Financial Times yesterday incorrectly reported that the index rose.

US index falls

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Stewart Fleming in Washington on the domestic motives behind the US-Soviet meeting
Iceland talks offer political bonus for Reagan

PRESIDENT Ronald Reagan's decision to resolve the impasse over the arrest of Nicholas Daniloff with a "no swap swap" for a Soviet spy and to press ahead for a "pre-summit summit" next week with Soviet leader Mikhail Gorbachev in Iceland has dismayed conservative in the US and worried many experts in US-Soviet relations.

But it is recognised in Capitol Hill that provided the Reykjavik talks go well, the President's Republican Party has much to gain from a pre-election meeting with Mr Gorbachev. This helps to explain why leading Republicans have been quick to support the President's decision.

The Reagan Administration itself lost no time on Tuesday in attempting to turn its summit announcement to advantage, immediately turning up the pressure in Congress for lawmakers to rally behind their President on issues such as South Africa.

The White House may also be hoping for an early political victory from the agreement to meet in Iceland. Defence spending legislation coming up for

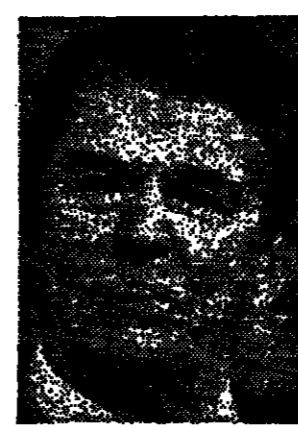
consideration would require the Administration to put into effect a one-year moratorium on nuclear testing, to adhere to the 1979 SALT II arms limitation agreement and to freeze spending on the Strategic Defence Initiative.

With the meeting just a few days away, the White House will be arguing strongly that Congress would be playing with fire and weakening Mr Reagan's negotiating position if it were to pass such measures.

Beyond such possible short-term gains, a triumphant return from Reykjavik would also give the President an issue to exploit as he stumps the country on behalf of Republican candidates at next month's mid-term Congressional elections.

The speeches he is making now with their references to the successes of his economic policies, are unlikely to sway many votes in recession hit states of the mid-West.

As one would expect with so crucial a meeting only two weeks away, criticism of the process by which Mr Reagan has arrived at the Reykjavik meeting is muted. It could hardly be otherwise in a country which has, in general,



President Reagan: Much to gain

been worried, rather than reassured, by the harsh anti-Soviet rhetoric it has heard from the White House. But criticism there is.

Dr Henry Kissinger, a supporter of the president, nevertheless gave vent to deep misgivings about the haste with which the Iceland meeting has been set up.

"There is no precedent for

a summit being set up this quickly," he said.

He said he was worried at the thought of heads of state who lacked the expertise to negotiate details of arms control agreements, sitting down in such haste at a summit.

The domestic political gains which Mr Reagan might expect from a successful summit themselves, it is argued, may put him at a psychological disadvantage since he runs the risk of Moscow declaring the meeting a failure.

The White House seems to have decided that Moscow is unlikely to sabotage the meeting in this way because Mr Gorbachev himself needs a successful summit. As for the question of whether or not Mr Reagan is equipped to negotiate stalled arms control issues, many experts outside the government doubt that Mr Reagan will be drawn into such a debate. Instead, he will seek to settle an agenda for the real summit later this year.

The bowls of dissent from the conservatives in Washington following Tuesday's announcement makes one thing clear. They are convinced that Mr Reagan and Secretary of State

George Shultz are now marching firmly in the direction of an arms control agreement, something which the right wing generally considers to be a snare and a delusion.

Mr Reagan could only have expected criticism from this quarter. What is interesting however is that individuals who can scarcely be described as extremists, such as Mr Brent Scowcroft, the National Security Adviser to former President Gerald Ford, feel that in resolving the Daniloff affair the administration came out short-changed. The brief delay between the exchange of Mr Daniloff and alleged Soviet spy Mr Oleg G. G. Zakharenko makes the contention that there was no swap barely credible.

Moreover the fact that the question of how many Soviet officials have in fact been expelled from the Soviet UN mission remains unresolved, is generally seen as indicative of a retreat by the Administration on this issue. As for the Soviet dissident Mr Yuri Orlov, the consensus seems to be that Washington got less out of this deal than it has in similar circumstances in the past.

Minister warns on Sri Lanka

By Mervyn de Silva in Colombo

MR RONNIE DE MEL, Sri Lanka's Finance Minister, has asked the Government for immediate approval of a three-year economic reform package without which he cannot hope to negotiate a \$500m (\$232m) loan from the IMF and the World Bank.

He has told the Cabinet that his reforms cannot wait till the elections in 1989, as urged by many of his ministerial colleagues.

Jamaica wins \$60m loans

By Camille James in Kingston

JAMAICA has received two loans totalling \$60m from the World Bank following negotiations in Washington this week, according to Mr Edward Seaga, the Prime Minister.

Mr Seaga said one loan, of \$40m was intended for the island's trade and finance sector, while the other was to be used by public enterprises. The Prime Minister is meeting the International Monetary Fund at the weekend.

Mexico's creditors given one month to accept new loan deal

BY PETER MONTAGNON IN WASHINGTON

MEXICO'S new \$6bn (\$4.2bn) loan agreement to be rushed through the market at an unprecedented pace.

The creditor banks will have until the end of October to confirm their commitment to the loan agreed in principle with main bank creditors in Washington on Tuesday night. The deadline is longer than the two weeks originally proposed by Mr Jacques de Larosiere, IMF Managing Director, who is seeking commitments from banks for 90 per cent of the total amount before he implements the IMF's own SDR 1.4bn (\$985m) loan arrangement for the government of President Miguel de la Madrid.

None the less it will involve an intense selling effort by the Mexican authorities against a background of market cynicism over Mexico's economic outlook. This is to begin with a major presentation to bank creditors in Washington on October 10 to be followed with "roadshows" in leading financial centres.

Bankers close to the negotiations hope that the margin over London Eurocurrency rates of 14 per cent which applies to the loan package will turn out to be a selling point. It is higher than the market had expected and close to the 16 per cent demanded by leading creditors.

Further, the decision to lend to Mexico had already been taken by more than 50 creditor banks when they agreed to contribute to the country's latest \$1.6bn (\$1.13bn) bridging loan late last month. Between them these banks will account for two thirds of the bulk of the loan commitments required by Mr

de Larosiere. Initial reaction of bankers at the International Monetary Fund meeting was that the terms of the new loan deal, which include adjustments to the terms of previously agreed facilities, marked a victory for bank lenders. Not only is the margin higher than expected, the terms also effectively silence demands by

link on \$1.2bn of this contingency money which is instead being described as an "investment support facility." The World Bank will guarantee half the remainder of the contingency money. Its availability will depend on Mexico's economic growth rate.

Mexico yesterday calculated that the entire package was worth \$7.75bn but this includes

MEXICO'S DEAL IN FIGURES					
Debt Category	Amount (\$bn)	Old maturity (year)	New maturity (year)	Cost saving* (\$m)	Grace period (years)
Previously rescheduled loans	43.7	1996	2006	163.9	7
New loans agreed in 1983-84	8.53	1994	1994	120.8	3
New money for 1986-87	6.0	—	1996	—	7
Contingency facilities	1.7	—	under discussion	—	—

* Cost saving represents annual saving on debt service after change in interest margins to 14 per cent over Libor or domestic cost of funds. This margin applies to all commercial bank elements of the package.

Source: Mexican Finance Ministry/IMF

Mexico for concessional conditions including the linkage of interest payments to oil prices. Yesterday negotiations were working on the final details of the package, including the conditions under which the World Bank will guarantee \$500m of the new loan and arrangements for contingency money to be made available to Mexico if its economy performs worse than expected.

This element totals \$1.7bn. A feature of it is that the banks have managed to eliminate a formal link between this part of the package and the level of oil prices. Mexico had asked for such a



broader market place. One fear is that the Mexican negotiators have been so preoccupied with the political impact of the negotiations at home that they have ignored the concerns of their creditors abroad who are now being asked to put up new funds in proportion to their exposure to Mexico out- standing in 1982.

Disbursement of the new money loan by the commercial banks will run in parallel to payment by the World Bank on its \$500m loan to Mexico which is designed to finance development of its non-oil export industry.

The World Bank said yesterday that its guarantee on the commercial bank package would form part of a total of \$2.5bn in financial commitments it is making to Mexico as part of the latest concerted international effort to help it service its \$87bn foreign debt.

It will guarantee only the final maturity of its portion of the package which means that banks will only have recourse to Mexico where interest payments are concerned. The guarantee will also only become effective if all other parts of the package are in place.

Mr James Baker, US Treasury Secretary, said the IMF yesterday that the Mexican agreement provided "an important, concrete example" of commercial bank willingness to support a strengthened strategy for dealing with the debt problem. "I think we can look forward to the increased private financial flows called for by the strengthened debt strategy," he said.

Nigeria at crucial stage in plan to tackle debt problem

BY TONY HAWKINS IN WASHINGTON

NIGERIA this week reached a crucial stage in its complex game plan designed to resolve the country's crippling debt burden and set in train an economic recovery.

Central to the plan is Nigeria's relationship with the International Monetary Fund (IMF). On the one hand, an agreement with the Fund has long been a precondition to any rescheduling of the country's estimated \$18bn (\$13bn) external debt.

On the other, the government of President Ibrahim Babangida faces considerable domestic hostility to an IMF role in the handling of Nigeria's economic affairs.

Hence the apparent confusion surrounding the report that Nigeria has signed a letter of intent to the IMF and applied for a loan of SDR 600m (\$800m).

In an independence day broadcast yesterday, President Babangida declared: "We have not sought, we have not obtained and we have no intention of obtaining any loan from the IMF."

The president's denial is technically correct, to the extent that Lagos does not intend drawing down the facility. However, the application was essential to Nigeria's efforts to obtain the all important Fund endorsement of a far-reaching reform programme built up over the past year.

The only way to obtain such an endorsement was to go through the formalities of negotiating a programme with the Fund and applying for the standby.

This strategy, conceived by officials in Lagos, is intended to meet the demands of Nigeria's creditors while satisfying the Nigerian public which, rightly or wrongly, fears that any loan from the IMF would only be squandered.

The key to the IMF approval was last week's launch of the two-tier foreign exchange market first announced in the 1986 budget. This has resulted in a major devaluation of the Naira from 65 US cents to 23 cents.

The package includes sweeping liberalisation of both import and exchange controls, reduction in government

spending (the 1986 budget programme has been revised twice so far this year), the relaxation of price control, moves to free the domestic money and capital markets, a major review of investment plans undertaken by the World Bank, and substantial devaluation of the currency.

With the most difficult element of the package now in place, Nigeria this week began negotiating the subsequent stages of the game plan.

The first of these is the obtaining of a \$250m bridging loan from Western central banks needed to finance the initial stages of the two-tier foreign exchange market.

This will be followed by the announcement of a \$450m trade policy loan from the World Bank and then by negotiation first with the London Club of commercial bank lenders to Nigeria and subsequently with the Paris Club official lenders (export credit agencies, etc) to re-schedule the country's foreign debt.

Nigeria's foreign debt difficulties have long centred around its short-term foreign trade obligations, more than its much more manageable medium and long-term borrowings.

Estimates of the short-term debt overhang continue to vary widely. But it is now being officially estimated at some \$2bn that accumulated in 1983-1985, to which must now be added a further \$2bn that has accumulated over the past year.

The standby agreement is absolutely central to the entire strategy because it will unlock the door to the extra financial resources Nigeria must attract.

These are estimated at some \$1bn annually from the World Bank over the 1987-89, supplemented by some \$2bn new money over the same period from the commercial banks, and by relief from debt re-scheduling.

The success of the strategy is going to depend largely on the willingness, or otherwise, of the commercial banks, to provide the additional resources.

Last month, the banks agreed to extend a freeze on repayments of principal due on the country's \$7bn medium-and long-term commercial bank debt. An IMF agreement could pave the way to a full re-scheduling of the debt.

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PLUG INTO THE INFORMATION REVOLUTION

Package offers a breathing space on debt

BY DAVID GARDNER IN MEXICO CITY

THE Mexican authorities were yesterday trying to strike a balance in their claims for their latest and biggest ever foreign debt restructuring.

Keen to bring to the fore real improvements in the conditions of repayment on both existing and newly contracted debt, finance officials admitted however that what had really been won was a breathing space.

The major stress lay on the fact that the new money committed in principle under the Washington agreement is to underpin the restoration of growth, and on the urgency of securing new funds to head off the danger of hyper-inflation.

Though the cry of victory is muted, a statement from the Finance Ministry dresses up what has been achieved to its fullest possible advantage.

The reduced 13-16th spread in the package is "the best margin in the credit history of the country," embodying a 42 per cent cut on the mark-up in existing covenants. The package as a whole contains no conditionality and implies the re-negotiation of 90 per cent of the foreign debt, it is claimed.

The \$6bn commercial bank credit committed is almost exactly offset by the around \$6bn savings on interest that will be made during the life

of the agreement.

Even though Mexico has not achieved the ambitious targets it originally, and publicly, set itself, the Government has won itself a vital political breathing space.

The seven-year grace period on capital repayments gets it past two delicate years in the run-up to the succession to Mr de la Madrid in 1988. Since the 1982 financial crisis, and because of the ruling Institutional Revolutionary Party's role in causing it, the standing of the 77-year-old regime has fallen to an all-time low.

But if targeted growth of 8 to 4 per cent of gross domestic product is achieved in the next

two years, and prices and a highly inflationary exchange market are brought under control with the aid of the new package, the Government will be able to bequest a situation at least not worse than the one it inherited.

To avoid the impression that six years of unprecedented sacrifices have been imposed on Mexicans to get the country back to where it started, advances in the promised structural reform and diversification of the economy will have to be achieved to hold out the option of a return to the sustained growth Mexico enjoyed for four decades until 1982.

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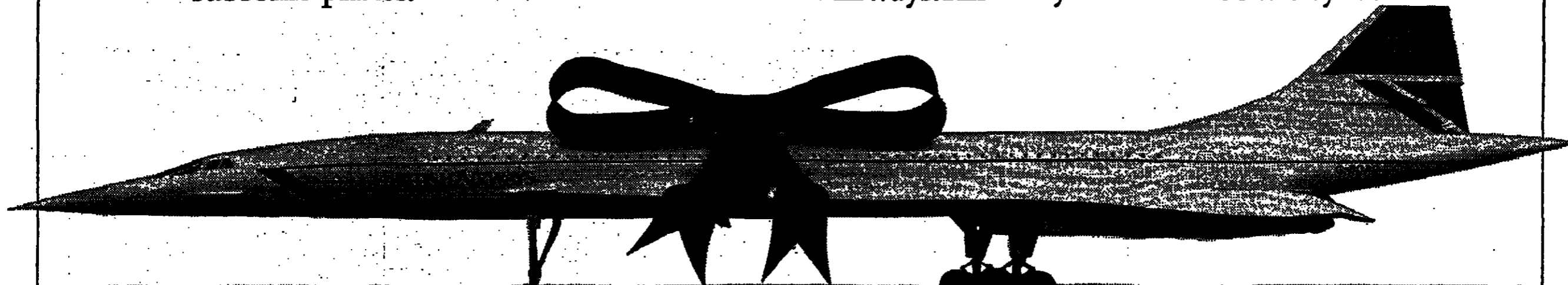
You can choose from dozens of destinations. Venice in the spring, Nice in the summer or the Azores in the autumn? Wherever, whenever, you'll never forget the day Concorde was all yours.

How to enter The Concorde Challenge.

You can enter every time you fly with us from or within the UK during September or October. See your travel agent or British Airways Travel Shop for details.

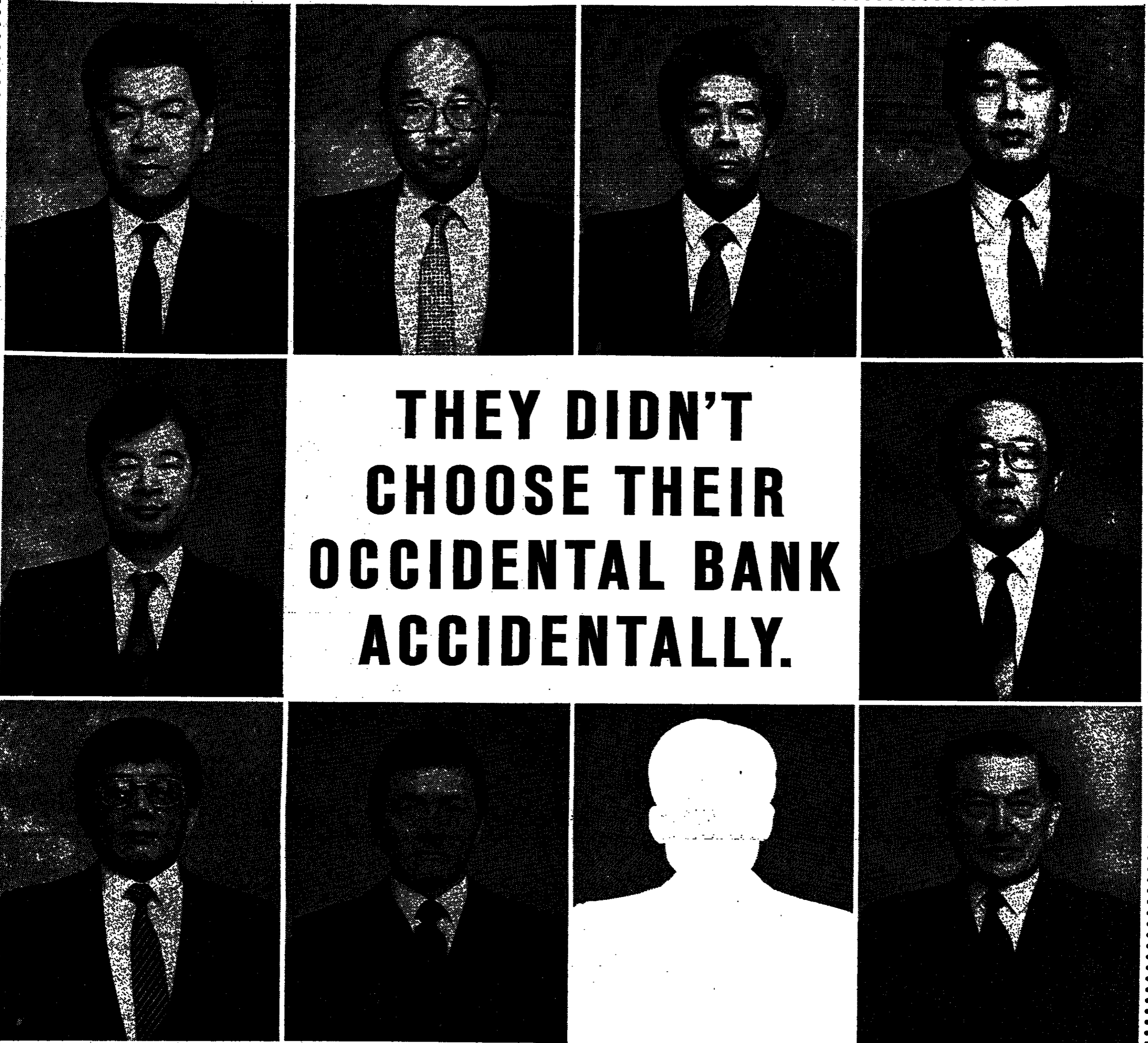
The Concorde Challenge tests your skill and judgement. (It's also a lot of fun).

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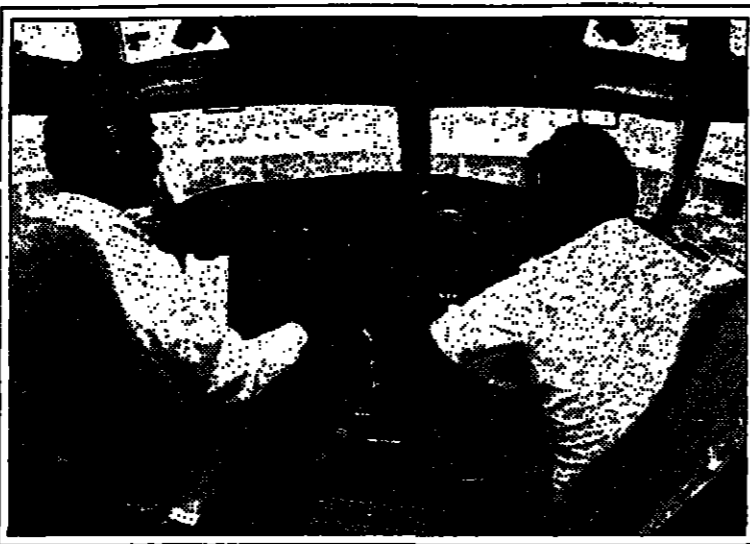


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GOVERNMENT PREPARES MAIL SHOT TO 16M HOMES

Gas flotation aimed at customers

BY MAX WILKINSON, RESOURCES EDITOR

THE BRITISH Government's campaign to persuade the public to subscribe to the forthcoming sale of British Gas shares moves into a higher gear this month with the largest direct mail campaign ever undertaken in Britain.

Some 18m "personalised" letters (written by a computer) will be sent out from Sir Denis Rooke, British Gas chairman, outlining the special concessions for customers when British Gas is floated at the end of next month.

These are:
● The option of a £10 rebate on gas bills for every 100 shares purchased at the flotation and held for three years. The alternative, available to all subscribers, will be 10 bonus shares for each 100 held for three years. The maximum rebate will be £200 (\$289). The upper limit for bonus shares has yet to be fixed.
● A guaranteed minimum allocation of 2500 worth of shares will be available for each "household" connected to the gas mains. This can be used either by a husband or wife

but not both. The Government is making no special provision for co-habiting persons. Mr Tony Alt, director of Rothchild, which is advising the Government on the issue, said they would "have to sort it out between themselves" as to who would be entitled to benefit. When they have done so, the name of the beneficiary must be registered with the new British Gas Share Information Office before November 14.
● Registered consumers will also receive special preference in the allocation of shares in excess of the guaranteed £250 worth in the event of heavy demand.

In an effort to attract as many shareholders as possible the Government will set the minimum investment stake at no more than £150 for 100 British Gas Shares. This compares with a minimum of £250 when British Telecom was floated. Payment will be in at least two instalments, though the number has not yet been announced.

The mood of optimism which the Government is trying to create was

summarised yesterday by Mr Alt addressing journalists in London. He said: "The British Gas share offer is going to be the biggest national event of its kind ever seen."

He said the share offer had been especially designed to be simple, attractive and easily available to all small investors as well as to the bigger institutions.

Another way that the Government hopes to create interest will be to foster the belief that the shares will be sold at a discount so that subscribers can expect to see a quick profit.

Mr Alt hinted at this when he said he could be confident that the issue would be a success because "we will take the market conditions into account when fixing the price."

He said the large amount of interest shown by the 10,000 to 20,000 enquiries a day also pointed to a successful flotation. He said enquiries did not seem to be deterred by the Labour Party's threats of renationalising the corporation.

The 90,000 British Gas employees will be able to take advantage of the special privileges offered to gas consumers as well as receiving free shares worth an average of about £110 each.

Mr Alt refused to comment on the likely costs of the flotation, the costs of the special benefits to customers, or on the likely value of the flotation.

The next phase of the Government's publicity campaign will be centred on advertisements seeking to give information about the offer, following the initial advertising campaign intended merely to create awareness.

During the summer 16 "roadshows" have presentations to about 3,000 people in financial institutions, brokers and other professionals. The "pathfinder" prospectus which will give general details of the offer is due to be published at the end of this month. This will be followed by the full prospectus late next month for flotation at the end of November to early December.

Ban expected on Libyan airline

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE CABINET is today expected to endorse a recommendation by senior ministers to ban Libyan Arab Airlines (LAA) flights to Britain.

The recommendation was adopted yesterday by ministers from the departments concerned - the Foreign Office, the Home Office and the Department of Transport - after the 25-year jail sentence on an Arab terrorist in London last week.

After the trial at which Rasmi

Awad, a 43-year-old Jordanian doctor and member of the extremist Abu Nidal group, was found guilty of trying to organise a terror campaign in Britain last year, the Foreign Office issued a statement that the case "clearly implicates Libyan Arab Airlines in terrorist-related activity."

According to evidence given at the trial by a Libyan double agent, a contact arriving on a flight from

Libya at Heathrow airport, wearing LAA uniform, handed him a bag containing four high explosive grenades.

No British airline currently flies direct to Libya.

British nationals visiting Pakistan will have to obtain a prior visa, the interior ministry announced. The restriction will be effective from January 1, 1987.

Renault reviews future of truck unit

RENAULT VEHICULES Industriales (RVI), the commercial vehicle subsidiary of the state-owned French group, is reconsidering the future of its UK truckmaking subsidiary which employs 1,300 at Dunstable, Bedfordshire, in the light of its continuing losses, Kenneth Gooding writes.

Mr Philippe Gras, president of RVI, said yesterday that "closure is an extreme option" but would not rule it out entirely.

The RVI factory, which produces Dodge and Renault vehicles, is across the road from the General Motors Bedford plant where medium and heavy truck output will cease by the end of this year and 750 jobs will be lost.

Mr Gras pointed out UK invested about £100m in the RVI subsidiary, Renault Truck Industries (RTI), to buy the shares and to cover losses since 1981, but it remained the only one of the group's subsidiaries which was not moving towards financial break-even in spite of the tremendous efforts made to pull it round.

The main problem was that the company's Dodge truck products were getting old, but RVI was not able to replace them fast enough with new Renault vehicles - particularly as those new trucks must have a high UK content to appeal to municipal buyers who make up the greater part of RTI's customer base.

BRITAIN'S second-largest union, the Amalgamated Engineering Union (AEU), is set to sign a new single-union agreement with a high-technology company.

Dunlop, the rubber company, has told local officials of the AEU that it intends to recognise the engineering union alone at its new Tyneside plant in north east England which is due by the end of next year to begin manufacturing cable for offshore oil rigs. Work on the £10m plant's construction is due to begin next week.

The company's indication of intent to reach a single-union deal is a further indication of the growing trend of companies establishing new factories in the UK to want to deal with only one union.

BUILDING societies are in danger of pricing themselves out of the mortgage market, Mr Michael Bridgeman, Chief Registrar of Friendly Societies said in his annual report.

"It must be doubtful, whether, in the long-term, societies can afford to have rates offered to investors and charged to borrowers running above market rates, to the extent to which they have in the past, if they are not to lose out to their competitors," he said.

BRITANNIC Assurance and the West Bromwich Building Society have agreed to sell each other's products in what is believed to be the first deal of its kind between a building society and an insurance company.

Britannic's field staff will channel mortgage business to West Bromwich. Britannic will also open building society agencies at 62 of its offices, at which policy-holders will be able to open savings accounts and withdraw cash. In return, West Bromwich will channel an increasing amount of insurance business to Britannic.

SEAMEN yesterday voted to continue their occupation of the four Sealink UK ferries affected by the company's plan to rationalise its loss making Channel Island services with the loss of nearly 500 jobs. It is likely that the occupations which are disrupting ferry services to Guernsey will last at least till the end of the week.

SLUMP in numbers of American visitors to Britain this year continued into July, according to Government figures. There were some 87 per cent fewer tourists from North America in July this year in comparison with July 1985.

OBITUARY

Lord Kaldor: Labour's economic adviser

LORD KALDOR, economic adviser to the Labour governments in the 1960s and early 1970s and one of the most inventive economists of his generation, has died at Papworth Hospital in Cambridgeshire, at the age of 78, George Graham writes.

Nicholas Kaldor, emeritus professor of economics at Cambridge University, came to prominence as an adviser on taxation policy in Britain and overseas.

He remained until recently an unofficial adviser to Mr Neil Kinnock, leader of the Labour Party, and one of the most persistent critics of Mrs Margaret Thatcher's economic policy.

Born in Budapest in 1906, Lord Kaldor graduated from the London School of Economics in 1930 and taught there until 1947. He became a fellow of Kings College, Cambridge, in 1949.

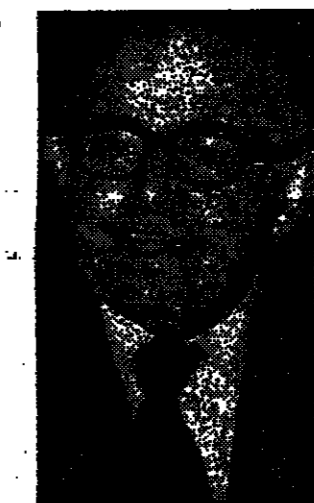
Among the leading post-Keynesian economists, his early theoretical contributions to economic thought centred on growth and distribution theory. His "Essays in Value and Distribution" remain influential.

One of the earliest advocates of an expenditure tax, he became an adviser on tax reform to a series of countries, including India, Ceylon, Mexico, Ghana, British Guiana, Turkey, Iran and Venezuela.

His advice brought fierce and often violent opposition, but he remained unrepentant.

"In retrospect," he wrote 20 years ago, "I do not think the advice I gave was wrong. In most underdeveloped countries, where extreme poverty co-exists with great inequality in wealth and consumption, progressive taxation is, in the end, the only alternative to complete expropriation through violence and revolution."

As taxation adviser to three Chancellors of the Exchequer - Mr James Callaghan, Mr Roy Jenkins



Lord Kaldor

and Mr Denis Healey - Lord Kaldor remained a fertile deviser of new schemes. Often viewed as an oddball, he was still likely to produce five or 10 good ideas a day.

Selective Employment Tax, "the most abused but also the cheapest new tax ever invented," as the New Statesman described it in 1971, was his brainchild.

Designed to control wage inflation without curbing economic growth, it sought to tax the services sector while subsidising employment in the manufacturing sector, and he defended it ferociously against criticism.

More popular with industry were stock appreciation relief and the regional employment premium, which he is credited with devising.

He was created a life peer in 1974. Lord Kaldor became in the early 1980s a leader of the attack on Mrs Thatcher's economic policies with his book "The Scourge of Monetarism" and a barrage of letters to the press.

New-look drug stores win 20% of market

BY CHRISTOPHER PARKES

THE NEW breed of drug stores which started to move into UK retailing about 10 years ago has captured almost 20 per cent of the market for over-the-counter medicines and other consumer goods traditionally sold by chemists, according to a report just published by Verdict Research.

Turnover in the newcomers' outlets increased by 200 per cent in the first five years of the 1980s, it says, while chemists' sales, excluding National Health Service prescriptions, rose by only 50 per cent.

Led by Superdrug, which now has more than 250 shops, the drug-store business has attracted many imitators, and direct competition between the various chains is emerging.

Superdrug, expanding out of the south east of England, is the only company with a national network of outlets. However, Share has now reached the north of England in its steady movement out of Southampton. Tip Top, established in Yorkshire, has spread to Scotland and the Midlands.

Verdict says that the recent acquisition of Medicare by the Dees Corporation will intensify head-on competition between drug stores. "Dee's financial strength... and the similarities between drug store and supermarket operations indicate the arrival of a formidable new power in the market," it claims.

"This is not necessarily bad news for drug stores because the format may well thrive on more outlets and more promotion. For chemists the outlook is less attractive."

Apart from Boots and Underwoods, the report says, most multiple chemists cannot compete with the drug stores on price. They often lack the aggressive retail skills of the newcomers.

While the sheer size of Boots, which has more than 1,000 stores, will enable it to hold its own against other chemists, the study concludes, "the ability to stand up to drug stores is another matter."

Verdict on Chemists and Drug stores, £225. Verdict Research, 34 Britton Street, London EC4M 8NA.

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UK NEWS

'Decades' before nuclear power can be phased out

BY IVOR OWEN

IN A delicate balancing act Labour leaders sought to resolve their dilemma over energy policy by making it clear that it will be well into the next century before a promise to phase out the use of nuclear power can be fully implemented.

The inevitability of the phasing-out operation being a "decades-long process" was stressed from the platform by Mr Eddie Heigh, of the Transport and General Workers' union.

He produced this timescale - the very element in what many delegates obviously regarded as a "facing both ways" formula - in replying, on behalf of the national executive committee, to the stormiest debate of the conference so far in which Mr Arthur Scargill, the controversial president of the National Union of Mineworkers, was a central figure.

To the relief of the leadership, an NEC statement undertaking to reduce Britain's dependence on nuclear power as part of a co-ordinated and planned energy policy was approved by the two-thirds majority - 4,008,000 to 1,940,000 - needed to virtually ensure its inclusion in the party's election programme.

A composite resolution moved by Mr Scargill, who flatly refused to accept the reservations which the

Labour Party in Blackpool

national executive sought to attach to it, was approved by just under a two-thirds majority - 4,213,000 to 2,143,000.

This resolution implied that the phasing out of nuclear power should be completed within the lifetime of the next Labour Government and before the debate started the NEC made it clear that this timetable was unacceptable to Mr Neil Kinnock, the Labour leader, and his colleagues.

An emergency resolution sponsored by the electricians' union - the IEEPU - sought to align the party with the policy of the Trades Union Congress and provide for a halt to the building of any new nuclear stations, pending the outcome of an inquiry into safety aspects raised by the Chernobyl disaster in the Soviet Union. It was defeated by 4,130,000 votes to 2,150,000.

Opening the debate, Mr Scargill contended that workers who lost their jobs through the rundown of the nuclear power stations could be absorbed into new employment during the course of the de-commissioning process and in the new gen-

eration of power stations - mainly coal-fired - which would take their place.

Bluntly rejecting the reservations expressed by the NEC, he insisted that the thermal oxide reprocessing plant now being constructed at Sellafield in north-west England was as unwanted as the two Advanced Gas-cooled Reactor nuclear stations now under construction at Torness in eastern Scotland and Heysham in Lancashire.

Mr Eric Hammond, leader of the electricians' union, sailed through the heckling which marked his arrival at the rostrum and called on delegates to back the rational approach to nuclear power adopted by the TUC.

He annoyed left-wingers by recalling that the Soviet Union, despite the disaster at Chernobyl, had already decided to further expand its nuclear power industry.

Mr Hammond scornfully dismissed the assurances given by Mr Scargill about the protection which would be afforded to workers in the nuclear power industry who lost their jobs.

Mr Ron Todd, general secretary of the Transport and General Workers' Union, advocated the acceptance of the reservations expressed by the national executive about the resolution moved by Mr Scargill.

Campaign for motor industry

By Peter Riddell

THE LABOUR Party yesterday launched a campaign to reverse the decision by General Motors (GM) of the US to cease truck and bus manufacture in the UK and to prevent cuts in the operations of the Rover Group, formerly BL.

The campaign was announced in Blackpool yesterday by Mr John Smith, the party's trade and industry spokesman, accompanied by Labour candidates for the several marginal constituencies with motor industry interests.

Mr Smith stressed the urgency of the campaign in the light of the recent announcement by GM and the major review of the Rover Group's operations by Mr Graham Day, its new chairman.

Mr Geoffrey Robinson, a former car industry executive who is a Coventry MP and Labour industry spokesman, argued that there could be a viable future for Austin Rover in the middle range of car manufacture.

Mr Robinson stressed the need for Austin Rover to retain control of high-technology processes.

He supported the continued alliance with the Japanese group Honda but maintained that it should be an alliance between equals.

Brandt criticises idea of joint European nuclear deterrent

BY TOM LYNCH

THE proposal by the Social Democratic Party-Liberal Alliance leadership for a joint European nuclear deterrent was implicitly criticised yesterday by Mr Willy Brandt, the former West German Chancellor, when he called for a "new phase of intent."

In a fraternal address to the conference, he said: "We do need a real European pillar to the Atlantic Alliance, but this should be a pillar for common security, not a pretext for a new twist to the nuclear arms race."

Mr Brandt wished success to President Reagan and Mr Gorbachev in their forthcoming meeting but said that whatever the outcome of the superpower summit, Europeans would have to make "serious peace-preserving efforts of our own." He said Europeans should be included in negotiations affecting their future.

He called for a successful outcome from the Mutual Balanced Force Reduction talks in Vienna, and end to all chemical weapons, an urged: "Life must be breathed into the idea of a nuclear weapon free zone in Europe."

Mr Brandt was given a standing ovation after his speech in which he said he did not wish to interfere in British politics, but spoke warmly of past links between European socialists and the Labour Party.

He added: "Europe needs a suc-



Willy Brandt: new concept of security

constructive role. We need a new kind of co-operation and we need it urgently in an increasingly dangerous world."

Mr Brandt called for a switch in resources so that some of the money spent on weapons could be redirected to fight world hunger.

He urged the Labour Party to hold to its vision of reform in the face of neo-conservatism and neo-liberalism.

"The time is not far off when the grotesque charade of conservatism will vanish. The weakness of the conservative offensive was and still is that its champions promise to a majority what only a minority will ever get."

"We should make good use of this weakness by stressing that women and men in the Labour and socialist movement are for widening the individual opportunities and freedoms of which others love to talk."

"History tells us that social decline and degradation were too high a price to be paid for a good life for a minority. Greater personal freedoms remain a hollow phrase if only a minority gets the benefit of it as long as the so-called 'free play' makes for an uneven distribution of opportunities."

He said the welfare state was not a "brake on the wheels of progress but rather the wheel on which progress can move."

Sections for blacks rejected

By Ivor Owen

BLACK DELEGATES suffered another heavy defeat when they renewed their attempt to establish their own distinctive place in the party's structure.

On a card vote, a composite resolution calling for the formal establishment of "black sections" with the same constitutional rights as the women's sections and the Young Socialists was defeated by 5,205,000 to 1,222,000.

There was a still more crushing defeat - 5,191,000 to 820,000 - for a further motion seeking to end the role of the party's black and Asian advisory committee.

Loading the demands for recognition of the official "black sections" already in existence, Ms Pearl Boyce from Newham North West protested that black people were seriously under-represented at all levels in the party.

Ms Frances Curran of the Labour Party Young Socialists, who replied to the debate on behalf of the national executive, had to struggle for a hearing as black delegates made clear their disgust at her insistence that the demands for black sections must be rejected.

Ms Curran maintained that the establishment of black sections would not fundamentally combat the question of racism.

Old guard switches on to computers

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

PERHAPS one of the more unlikely sightings this week in the precincts of Blackpool's Winter Gardens has been that of Mr Ian Mikardo, the veteran left-wing MP for Bow and Poplar in London, trying to come to terms with the latest in computerised election management systems.

Such a head-on confrontation between the old guard of British politics and the sharp end of new technology serves to underline the extent to which local and national party organisations - for so long the domain of dog-eared filing cabinets - are catching up with the age of the computer.

All the major political parties are at least agreed that improved information systems will play an increasingly crucial role in determining the outcome of election contests, and the race is on to see off the competition.

The Social Democratic Party-Liberal Alliance claims to have made big advances in introducing computers, to the extent that the Conservatives, who have had a few setbacks with the implementation of their own systems, are accused of having made fiendish attempts to steal the enemies' clothing.

Labour used computers to good effect in the London Fulham by-election and, for the second year running, the party has been able to produce detailed read-outs of the National Executive Committee election results within hours of the votes being cast.

Labour's attempt to break down resistance to computerisation and improve the efficiency and impact of its grass-roots organisation is being masterminded by its computer advisory group, which was set up four years ago by Mr David Hughes, the party's national agent. The group consists of party sup-

porters around the country who volunteer their services to work alongside Labour's full-time officers in promoting the use of computers among Labour activists.

Mr Andrew Hudson, a member of the group, says that the prospect of an early general election has served to concentrate the minds of party supporters on the benefits of even limited computerised support. So far the group has around two dozen trained people around the country to spread the word but it waits many more in place by the time the election arrives.

Mr Hughes emphasises that local parties can now set themselves up with basic hardware for around £750, on perhaps make use of one already in the ownership of a supporter. The non-profit making group will then sell software packages to local organisations, for £5 each, enabling them to operate systems which, for example, help to improve turnout on election day. They can also ensure updated membership lists and offer electronic mail services and basic word processing facilities.

One of the most common uses is in the computerised storage of electoral lists, which are now available from all local authorities under the Representation of the People Act. The trouble is, according to the computer advisory group, that councils make the information available in about 150 different formats, creating endless hours of work before it can be utilised.

Enter Mr Mikardo with a plan to come to the aid of new technology. "This is a tripartite issue. All parties have an interest in getting this sort of confusion sorted out. In an age of computers, this sort of information should be made available in a uniform manner."

No immunity for professional bodies

BY CLIVE WOLMAN

THE Government has decided against granting immunity to those professional bodies of accountants, solicitors and other groups that will be regulating the investment advisory activities of their members under the Financial Services Bill.

However, on a variety of other issues in the Bill, the Government has accepted the proposals made by the Securities and Investments Board (SIB), the proposed City of London regulatory overseer, and various industry lobbyists over the summer.

Mr Michael Howard, the Corporate and Consumer Affairs Minister, announced yesterday that a total of 350 amendments had been tabled to the Bill which is to be debated by the House of Lords in mid-October.

The amendments cover the following points:

● A central fund is to be set up to compensate investors if an investment firm becomes insolvent. All the self-regulatory organisations (SROs) will be obliged to participate and contribute towards the fund which will be administered by the SIB.

● The corporate treasurers of industrial companies and other non-investment businesses who give only incidental investment advice as part of their financing activities will be exempted from the provisions of the bill.

● Stock Exchange and international securities firms will be given an exemption from the criminal offence of market manipulation,

when engaging in price stabilisation.

The definition of futures contracts has been revised to take account of the criticisms of banks and other operators in the commodity, financial futures, currency and bullion markets that claimed that the bill would catch too wide a range of their activities.

In May, the Government decided to grant the SROs an immunity from being sued for negligence either by their members or by the investing public who may have lost money with a firm as a result of poor regulation. The professional bodies that may be recognised under the bill, such as the Law Society and the accountancy organisations, argued that their responsibilities in regulating their members would be the same as those of the SROs, and therefore they should enjoy the same immunities. However the Government believes that such activities are only a small and incidental part of their main responsibilities.

The most controversial change is the introduction of a central compensation fund, which has been strongly urged by the SIB over the last six months. The stock exchange, which has a well-established compensation fund of its own, yesterday published a letter of protest that it has sent to Mr Howard.

The letter says that, as a result of the proposal, an SRO which effectively regulated its members and prevented insolvencies would be compelled to cross-subsidise SROs which were less well-regulated.

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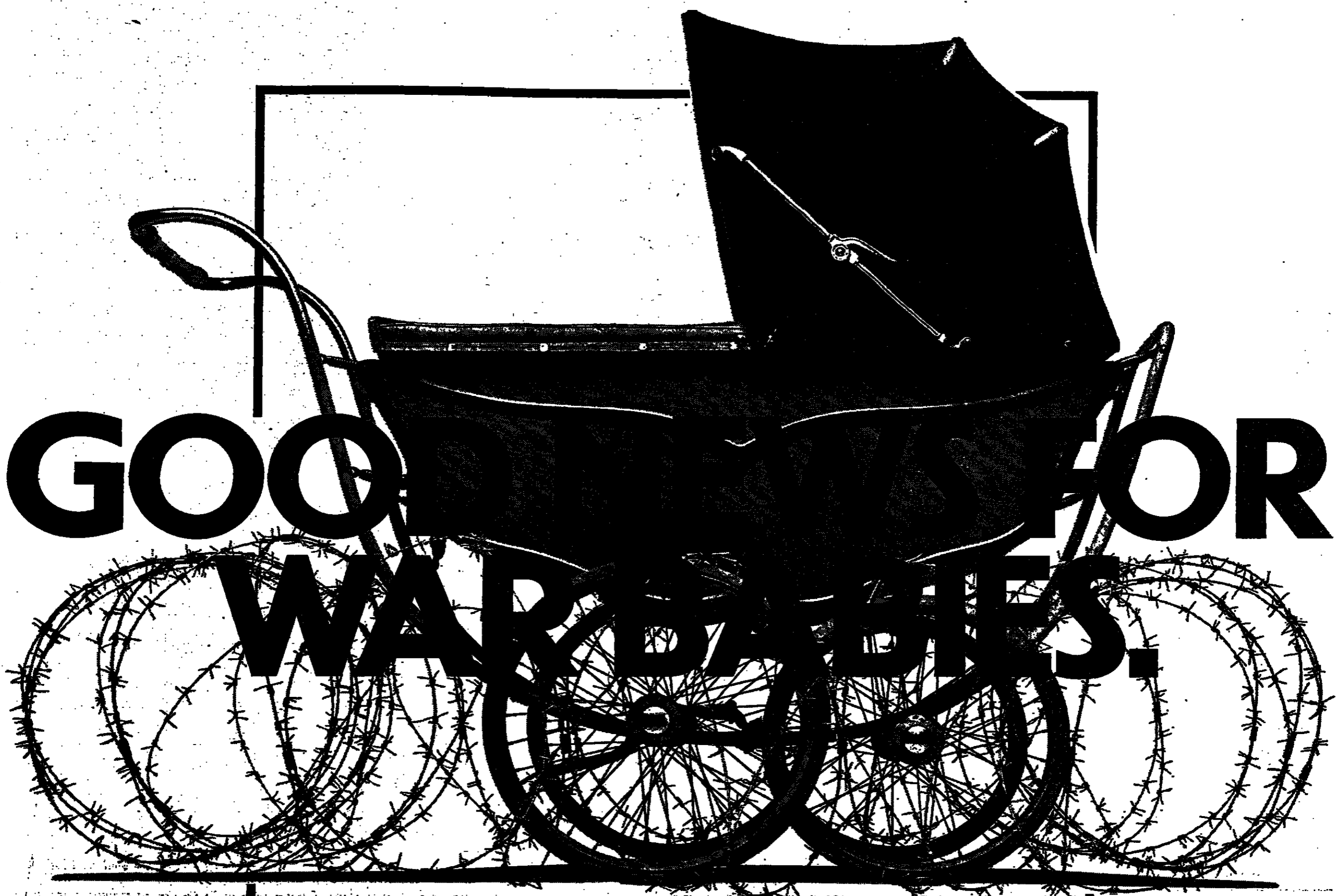
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MANAGEMENT: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

SO THE Saatchis are mortal after all. As they face their sternest test yet in an inhospitable climate of disgruntled clients, disparaging press comment (especially in the US) and a slithering share price (from an adjusted high point of \$8.57 to \$5.80) the question is, what is the problem?

After building the world's largest advertising agency group in 16 short years, impressing people with fleet footwork and a daring approach, there was little this controversial company seemed unable to achieve. Since it served notice in 1980 of its ambition to top the world in marketing services, it has been a benchmark against which other companies are measured. For the moment, however, the agency which has done much to change the way the world—and not least the financial community—views advertising seems to have hit a turbulent trough.

Press reports abound of an imminent review of corporate structure and of musical chairs at senior management level at Saatchi & Saatchi Compton, the London agency, Hay MSJ, the management consultancy group, as well as at Ted Bates in the US. This only serves to fuel the bush telegraph in the familiar absence of direct Saatchi comment.

Indeed, in the absence of direct comment by the Saatchi brothers, it falls to others in the industry to suggest where any difficulties may be.

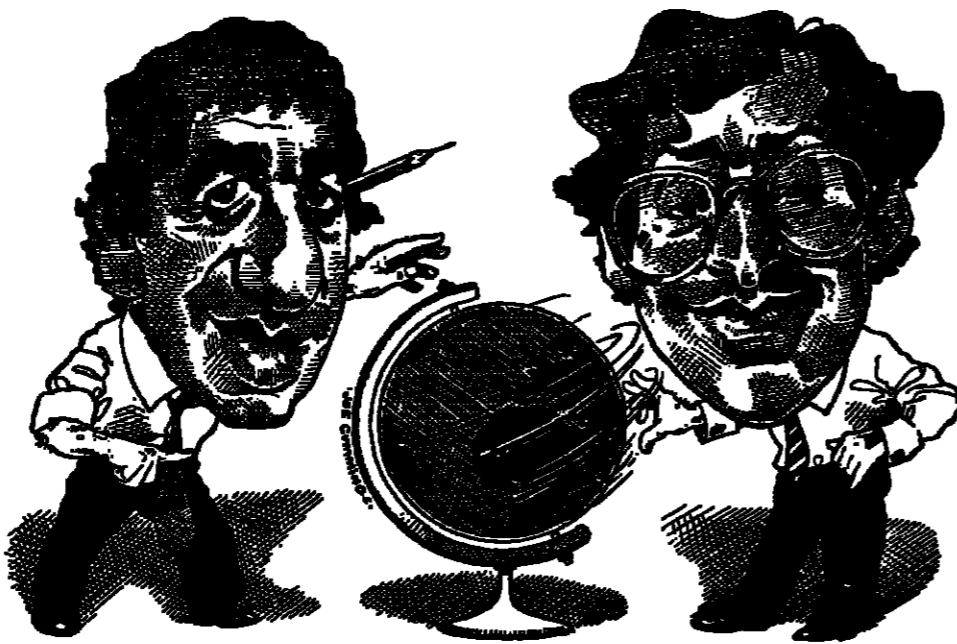
"We're being treated like a bunch of footballers on transfer lists," says one American advertising director.

More serious is the perceived shattering of the bond of confidence required in the agency-client relationship where strategic commercial information is shared. Saatchis' image was not helped by a recent report that its prospectus for the Bates purchase inflated Bates billings by 45 per cent. "That sort of thing doesn't help the authenticity of our business," says Julian Clapet, chairman of Ogilvy & Mather, Canada and a member of the O&M international board.

"Saatchis' deviation from a basically successful financial strategy by putting the money up-front for Bates has become a major problem," says Clapet. "We now see an awful lot of internal turmoil at Bates because the incentives are no longer there for senior management," he adds.

At the same time some rival agencies believe the Saatchis might be spending too much time on their own business and too little on their clients.

Saatchi is not alone in pursuing a three-legged network.



Charles (left) and Maurice Saatchi: shockwaves ricocheted across the Atlantic

The Saatchis hit a pocket of turbulence

BY FEONA McEWAN

Interpublic blazed the trail several years ago and the newly-formed Omnicom group (with its BBDO and its Doyle Dane Bernbach/Needham Harper networks) is said to be seeking a third global leg.

So have the brothers Saatchi lost control of their unwieldy empire? Has the renowned chessboard over which group architect Charles Saatchi pores every lunchtime, grown too cumbersome? Or is this a temporary hiccup, a self-generating ill wind that ultimately blows itself out? Certainly the pace of group expansion in the past 18 months has been galloping, with some 16 acquisitions worldwide.

Ted Bates, the \$3.1bn agency Saatchi eventually secured after more than 18 months' negotiation, is at the core of the current troubles. At the time, Saatchis' policy of having competing networks around the world—this became its third—was thought to be one advantage of the deal, intended to reduce potential client conflict, among other things.

More important, Ted Bates was an extremely profitable company. It was also genuinely

global (with particular strengths in Australia, South America and Scandinavia) and since it was declining in the US and wanted resources to expand, it needed a buyer.

A degree of client fall-out after a major merger is inevitable. And since the Bates merger clients which have shown themselves to be unhappy include the bluest of chips, major international spenders like Procter & Gamble, Mars, General Mills and Colgate-Palmolive. The losses in billings are already in excess of \$250m.

Early on Warner Lambert, Nabisco and Colgate headed for the door, though some say they were already on the way out. More recently, P&G and General Foods have withdrawn hefty slices of business. And yet overall, considering the gains made by the group in the same period (including the recent £15m Renault win in Italy) which have been little publicised, the net loss is said to be no more than \$150m. More wins are expected—but further losses are expected before Christmas.

In the context of group billings of \$7.5bn, says Mark Shep-

perd, analyst at London stock-brokers Phillips & Drew, "they haven't lost very much, probably less than one per cent."

Whether Saatchi has over-reached itself with the Bates deal, coming as it did hard on the heels of a period of frenetic acquisition, is a contention that the top management is working hard to dispel. What is clear is that there is some rationalisation on the cards especially involving the US agencies of which the company now has more than eight.

Besides clients' worries, there was management strife at Bates too. The recent ousting of chairman and chief executive officer Robert Jacoby, shows the Saatchis' uncharacteristic taking the whip hand with a subsidiary. The normal pattern of their acquisitions has been to apply strict financial controls centrally and then leave the creative and account handling functions well alone. But Jacoby, known as something of an autocrat and who, as owner and chairman, had taken his agency to number three in the US, was used to doing things his way. Following the Saatchi merger, which reputedly made

him richer than either of the brothers, Jacoby summarily rearranged his boardroom, demoting Don Zuckert, New York president, and Larry Light, the man closest to the Mars business.

This did not go down well with Mars and the tremor was felt in Charlotte Street, in London. Next thing was that Jacoby was toppled and Zuckert and Light crowned. Light is said to regard clients as his own.

The implications of pushing Light into the dark were clear to London. The shockwaves ricocheted across the Atlantic unsettling longstanding clients. Rowntree Mackintosh, for one, wants a denial public denial to rumours that its £10m is to be resigned in deference to Mars.

"Yes," says David Lamb, Rowntree's UK advertising manager. "We are aware of the rumours and in fact are asking Saatchi what's going on and we're looking at the whole position. We're waiting to hear."

Rowntree has been a client of the Garland wing of Saatchi for 50 years.

One group keeping an open mind is the financial community which on both sides of the Atlantic maintains its belief in the brothers' ability to triumph. The falling share price and Press comment is largely over-reaction, was the comment of Greg Ostraff, of Goldman Sachs.

"I don't think the management is taking this lying down," says Emory Hill of Wertheim, another New York analyst. "In fact I think they're handling it rather well."

A number of analysts have not changed their forecast at all. "We have budgeted for \$100m loss of billings in 1986-87 and we're not changing that," says Ostraff in New York. "Historically the earnings per share growth has been 38 per cent a year," says Neil Blackley, analyst with James Capel, in London, "but 15 to 20 per cent is fairly respectable."

Now the watching world awaits the outcome of the review. Smart money is on integration, probably office by office and in good time, over perhaps a two-year period. They want to let the dust settle, glue the clients to their seats and then weld them together by the softly softly approach...

World weary observers suggest there is a certain element of inevitability in the Saatchi crisis. For a long time, says one analyst, they've been the darlings of the Press with fire in their bellies, keen to teach the world. Suddenly they are at the top and have become the establishment... to be shot at. Whichever interpretation you take, the test remains one of management capabilities... that means finding out how good a chess player Charles really is.

Computer animation

Mesmerising messages

Feona McEwan reports on an electronic aid to creativity

FLIGHTS of fancy in television commercials are reaching new levels of inventiveness as a result of computer animation, a fast-evolving creative technique that produces moving images in three dimensions.

UK viewers will recognise computer animation in the Channel Four TV logo (where brilliantly coloured fragments fuse into the figure four); the somersaulting logo for the TV programme News at Ten; the Smarties ad (all flying tubes and chocolate buttons); the more basic commercial for the Northern Rock building society (which rains down gold coins in slow motion) and the Honeywell business systems ad (in which a regular office is transformed into a high-productivity cell of hi-tech wizardry).

It is a technique which now fascinates not only advertisers but also industrial designers, architects, the pharmaceutical industry, pop promotion producers and others. The technology of computer animation has its roots in the American defence programme, going back for more than 30 years. With its hefty financial, technological and artistic commitment, the US has pioneered the field, though it is only in the last 15 years that commercial uses have evolved.

Europe is running fast to catch up and Japan is noted as a keen competitor in the world computer graphics market, which the industry itself reckons is worth about \$2bn. Of this, the European market is estimated by industry observers to be about \$200m, with animation (a sub-division of graphics) accounting for about \$50m to \$100m. The UK slice is put at £1m to £1.5m.

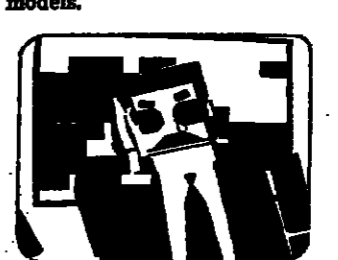
The back of the potential for computer animation is thought to lie in the advertising field though the business is still in its infancy. Recent UK users like Honeywell, makers of business computers and office automation systems, Crown Paints and Smarties confectionery had their own different reasons for adopting the technique.

Honeywell wanted to register itself unequivocally as a hi-tech company, and to do this in a novel way (competitors at the time were adopting a cosy, friendly images to counter consumers' so-called "techno-

fear"). It also wanted to convey specific messages, such as its capacity for electronic filing, networking and mail.

Research carried out before and after the advertising campaign, devised by Gold Greenlees-Trott, pleased the advertiser (never before a television user) so much that it is back on television for a second burst.

For Smarties, animation offered more realistic and greater manipulation of the tube and its contents than using live action and models, besides fascinating its young consumers. The Crown paint-by-numbers ads (showing a monochrome image which then colours in sequence), adopted animation because it was quicker and (in this instance) cheaper than alternatives such as filming real characters or models.



Honeywell used computer animation for its first UK campaign

To produce the Channel Four logo (a milestone in raising UK interest in the technique), producers Robinson Lambie-Warr had to turn to the US where established names like Robert Abel, Digital Productions, MAGI and Cranston/Csuri Pictures lead the field. Since then, UK exponents such as Cal, Digital Pictures and Electronic Arts, among others, have started to narrow the gap.

Now a new company has arrived on the European scene with a box of computer tricks under its belt which it claims will help it to challenge the Americans, and put Europe in the front line. The Computer Animation Laboratory (based in Frankfurt and with associates in London, Paris and Zurich) is unblinking in its claims of quality, capability and expertise second to none in Europe.

The lab's head office, with its hi-tech interior, represents an investment of more than \$5m. In computerese, the company

boasts two VAX computers, each with a processing power of four megabytes and a total memory capacity of more than two gigabytes. In layman's language, the system occupies 190 square metres of floorspace. By working to high resolutions, the Lab can translate its work to film, video, or slide for use in television, posters, cinema and business presentations.

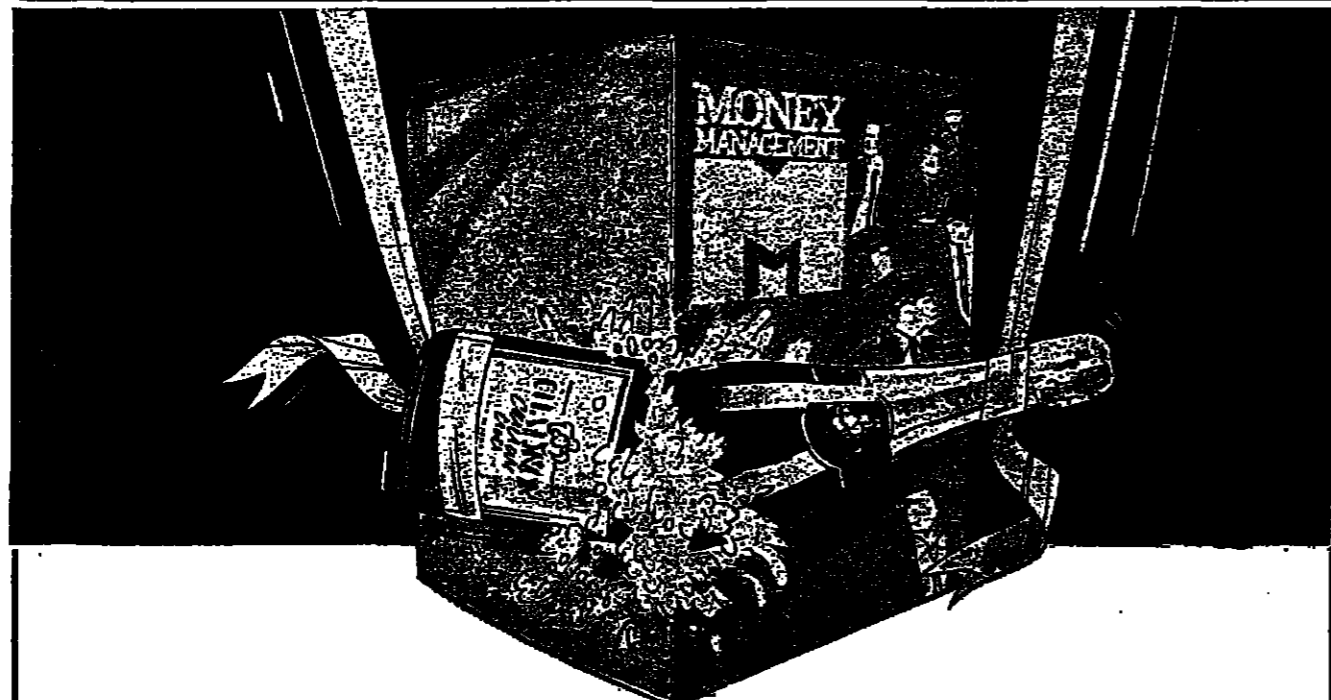
It offers quality and this comes at a price. But founder and chief executive of the lab, Chrys Kazzantzis, believes discerning clients will quickly recognise its worth.

Computer animation is, however, by no means the answer for every communication problem. It is best used when no other method can achieve the desired effect, says the lab's creative director, Antonios Diakidis, who worked among other things on the NASA shuttle simulation for ABC television in 1981.

Blaser recently used the lab for a Cointreau commercial shown in Switzerland. The reason, he says, was "it would have taken five times longer and cost a lot more money to do it any other way."

In future, the lab aims to extend its activities around Europe by liaising with production houses in Milan, Athens, Vienna and Madrid. In London, James Garrett, the UK's oldest production house, is the British link. Ultimately the company hopes to get a stock exchange listing in order to finance its research and development programme.

Garrett's managing director, Mike Gilmore, believes two main arguments are relevant to the future of 3D computer animation. "In five years' time anyone marketing to today's 11 to 16-year-olds will have to speak their visual language. The way we're getting the messages across is changing, I think. That's not to say everything will be graphics and animation and computers but for some markets it will be the right language."



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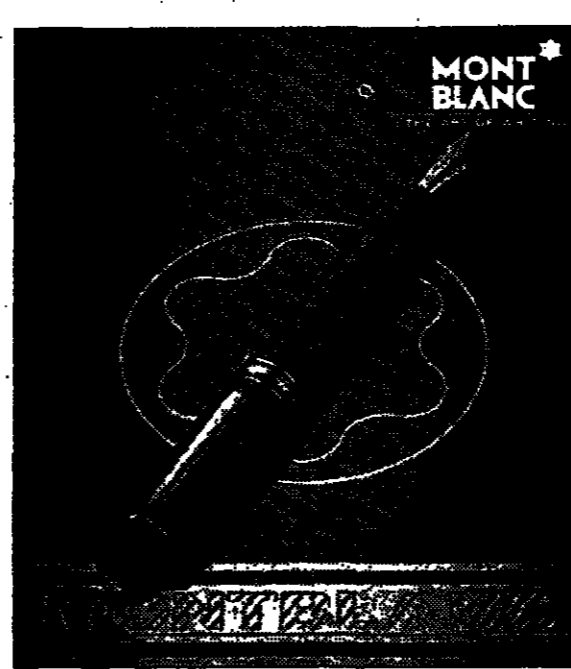
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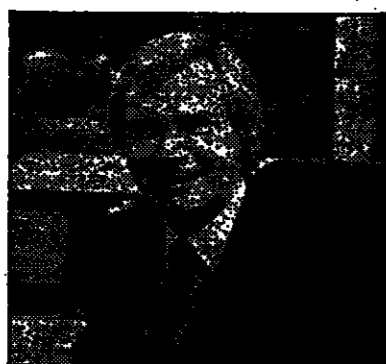
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Roger Boodle, Respected City economist and author, best known for his definitive work on the gilt market 'Index Linked Gilts'.



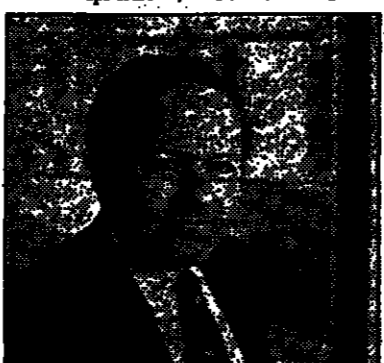
Philip Foster, Ex-joint senior partner of the jobbing firm Wood & Owen. Twenty-three years' experience in the gilt market.



Spouke Schipstra, Highly qualified analyst, Head of Systems with a background in banking and capital markets.



James Shields, 5 years' experience in gilt broking with Famber & Boyle.



Brian Deper, Ex-university lecturer and computer programmer with 4 years' gilt experience.



Paul Ormerod, Director. Qualified accountant, computer systems specialist and experienced management consultant.



Beatrice Parrish, 4 years' experience as assistant to the Chief Economist of a major Stock Exchange broking firm, now a saleswoman.



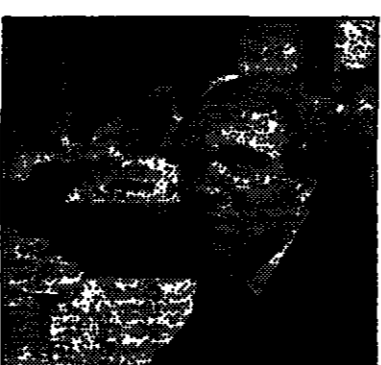
Mark Williams, 5 years' experience as an assistant fund manager and salesman in gilt and fixed interest securities.



Paul Johnson, Director, 8 years' experience managing gilt and international bond portfolios, 10 years as a gilt broker.



Helene Marsh, Harvard graduate, recruited from Lloyds Bank International having joined their training programme in 1982.



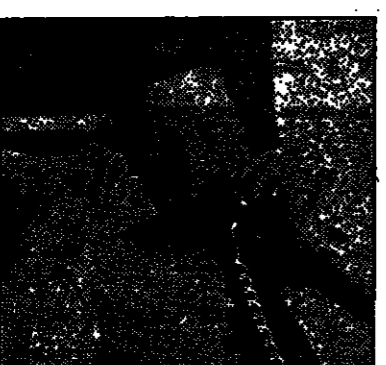
Nigel Halls, 14 years' experience with Mullens involved in gilt securities for the Government Broker.



David Nicholson, senior salesman. An Actuary with many years' experience in the gilt market including running a principal book with Scottish Life Assurance and stockbroking.



Valerie Baxter, First Class Honours Degree in Mathematics, 6 years' experience in gilt fund management.



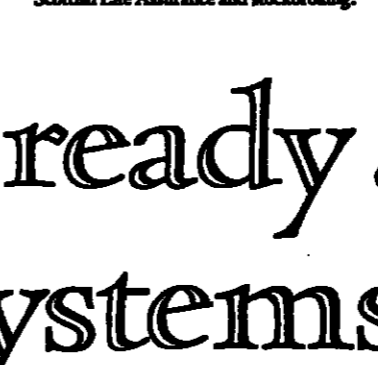
Ray Cooke, 20 years' stockbroking experience involving all aspects of trading bonds including corporate finance.



Ben Stanley, 7 years' experience as a gilt salesman.



Peter Harrison, Ex-assistant director of County Bank, 11 years' experience managing gilt and bond portfolios.

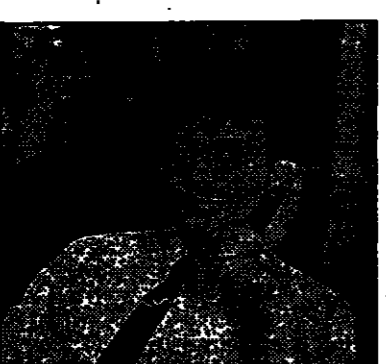


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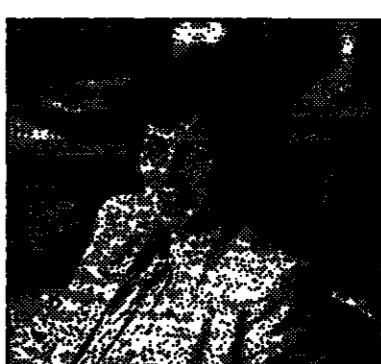
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Thursday October 2 1986

The threat to press freedom

THE COLLECTIVE high of relief that the Western press in particular breathed over the demise of the New World Information Order may have been premature. In its place, national governments seem intent on imposing unilateral restrictions on the freedom of the press. Last week alone, two very different countries, Malaysia and Cuba, took further steps along what is becoming a distressingly long road, Malaysia in expelling two reporters from the Asian Wall Street Journal and banning circulation of the newspaper for three months, Cuba is removing two correspondents, one from Reuters, one from Agence France Presse.

It would be misleading to read into these disparate cases, and others besides, too many common threads, beyond the obvious observation that all the governments in question have reasons, good, bad and indifferent, to feel defensive. South Africa's censorship of the reporting of civil unrest is nakedly designed to keep the lid on at home and to test the attention span of critical foreign audiences. The regime in Chile has taken the off road in the wake of the attempted assassination of President Pinochet, and so, it can only be assumed, has Cuba. There is a certain crude, it short-sighted logic to this approach. After all, former President Marcos's inability to keep the eyes of the world off the Philippines probably contributed to both the manner and speed of his removal.

Subjective interpretation

Other recent instances fall into different categories. Although the full story has yet to be told, China's expulsion of Mr John Burns of the New York Times earlier this summer did appear to have prima facie justification in that he indisputably travelled to parts of the country known to be off limits. Whether that warranted kicking him out is another matter. The Soviet detention of Mr Nick Daniloff is much more of a move in the superpower game. The FT is not unfamiliar with this sort of thing, having lost a Moscow correspondent four years ago in the tit-for-tat exchanges between Britain and the Soviet Union.

It would be naive to expect a world in which many countries are not democratic to adhere

en masse to democratic principles, such as the freedom of the press, itself a concept liable to subjective interpretation. The Japanese press, for example, is incontestably free, yet it is an inextricable part of the domestic establishment and tends to go out of its way not to embarrass its government on matters where the national interest is deemed at stake. So it was last week that it conspicuously underreported for domestic consumption Prime Minister Nakasone's controversial remarks on race and intelligence in the US.

Dynamic region

But in the case of Malaysia, and in neighbouring Singapore and Indonesia, there are additional grounds for concern. South-east Asia may be a patchwork quilt for democracy, but it has been, and will remain, for the most part an exceptionally dynamic region in economic performance. It is already a player in the global economy on a big scale. This implies increasingly close relationships, indeed a form of interdependence, with those nations which supply it, buy from it and invest in it.

In this process, the free flow of information is an indispensable ingredient. It will not help countries which need investment funds or technological assistance to place restrictions on the fair reporting of structural features of their economies. The nature of banking in Malaysia and the extensive business holdings of the Indonesian military should not be deemed state secrets. Reporters, indigenous and foreign, should not be punished for doing their best to make their plain.

Trying to stem the flows of information is, in any case, likely to make potential investors and lenders more, not less, suspicious and cautious. The cause of foreign aid in recent years has not been helped by the evidence of misappropriation in the receiving countries, and the victims of this have been those most in need. By the FT's not unfamiliar with this sort of thing, having lost a Moscow correspondent four years ago in the tit-for-tat exchanges between Britain and the Soviet Union.

Compensation for investors

THE Department of Trade and Industry's proposed amendments to the Financial Services Bill to encourage the establishment of a central compensation scheme in the securities markets was never likely to go down well with the Stock Exchange. But if, as seems probable, it results in a higher level of protection for investors generally, it is surely a step in the right direction.

In the early stages of the life of the bill it was assumed that self-regulatory organisations (SROs) in the City would make their own arrangements to compensate investors where their members proved unable to meet their obligations. Compensation was required to match the minimum level of cover required by the Securities and Investments Board (SIB). Alternatively, the SROs could ask the SIB to make provisions for their members on the same basis as it made for people that it authorised directly.

This arrangement looked tolerable from the perspective of the Stock Exchange. As the oldest self-regulator in the City, it had a sound record on investor protection and a large compensation fund. It could cheerfully go it alone. For the newer SROs, on the other hand, starting a compensation fund from scratch was a tall order. Not only was it potentially costly, the insurance markets were unhappy to underwrite the funds, in view of the lack of track record of the smaller SROs, and uncertainties surrounding trading conditions for their members in the new climate after the Big Bang.

Cross-subsidy

Hence the SIB's decision last year to set up its own centralised scheme with minimum cover of £30,000. This like the Stock Exchange wished to offer better protection could then provide top-up schemes. Professional investors were to be excluded from this form of protection.

The Government has now rightly concluded that this safety net was, at best, tenuous. To carry any conviction with

the public a more effective and better funded scheme was needed. The new amendments therefore propose a central compensation scheme. With a far larger coverage, a central fund should be easier to finance, thereby ensuring a higher level of protection for investors. Whether the new limits, which have yet to be revealed, turn out to be adequate remains to be seen. Certainly the original £30,000 minimum proposed by the SIB was woefully low. In the short term, however, the more heated debate is likely to be about the Stock Exchange's fear that its members will end up cross-subsidising those of other SROs with little or no track record in regulation.

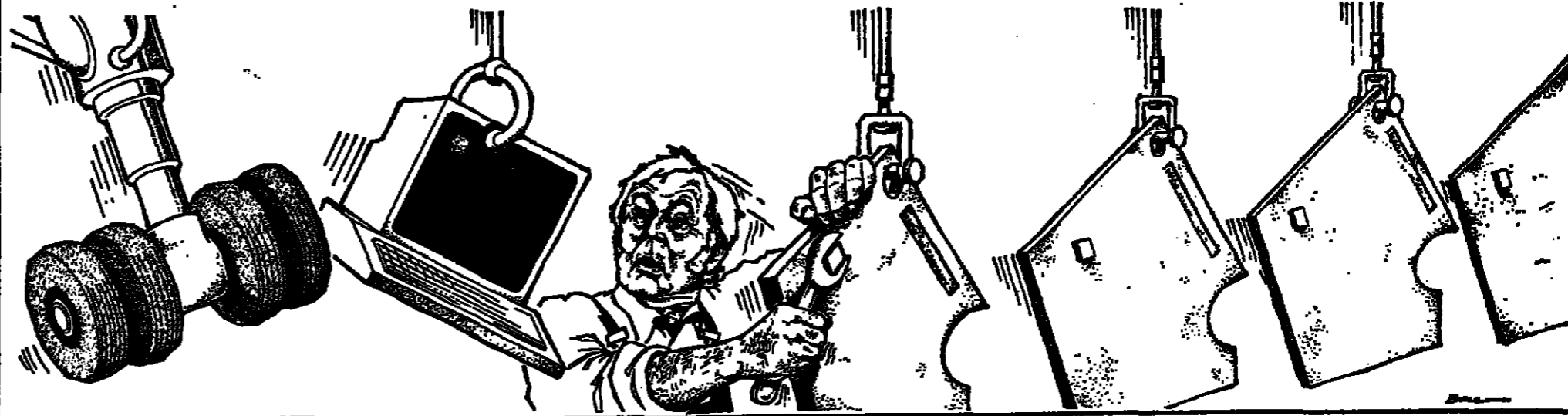
Much depends on the specific nature of the safeguards that are to be incorporated in the bill. These are expected to call on individual SROs to chip into the communal pot on others' behalf only above a given level. It also remains to be seen whether the Stock Exchange's past experience in regulation will minimise calls on the central fund by its own members. In theory, at least, the other SROs could end up subsidising the Stock Exchange.

Tough proposition

Equally important is the question of representation on the body that manages the fund. It is understandable that an organisation such as the Stock Exchange should feel edgy about the prospect of having to bail out failed members of another SRO when it has no control over their behaviour.

The other heated debate is likely to turn on the practical difficulties of pushing the bill through. The writer of other amendments that emerged yesterday seems certain to cause yet more confusion in the Lords, where the pressure of business has been causing consternation in recent months. Yet it has to be said that redesigning the British system of investor protection from scratch was always going to be a tough proposition. The noble lords have little option but to soldier on.

WEST GERMAN INDUSTRY



All change on the production line

By Peter Bruce in Bonn

IT IS like watching a majestic old order crumble. West Germany's manufacturing giants, saturated with prestige, encrusted in regulation, and contemptuous of almost anything they don't make, are beginning to turn on one another.

The clubbiness which has helped them avoid damaging each other since the Second World War may now be proving inadequate. Just four or five years ago, it was still fashionable for manufacturers to talk of concentrating their efforts, and expanding, in the areas they specialised in and to do impressive stunts about the treasure that awaited them in the one Western market they had not yet conquered — the US.

Today the cobblers that stuck to their last think they know better. Klockner-Rumoldt Deutz (KRD) has spent valuable reserves buying up capacity — in diesel engines and farm equipment. Mannesmann, which was still investing heavily in steel pipes at the turn of the decade, has just had to fire 6,500 steel pipe workers.

The old convention has given way to a new one which holds, quite simply, that only high technology companies have a future at the top of the German industrial pile. Suddenly it is very difficult to find important German manufacturers not trying to break into new technologies.

Big consulting groups in Germany have been besieged by anxious calls for help by manufacturers. At McKinsey in Düsseldorf, officials say that diversification is currently a "hot topic" but decline to discuss it. The chief of Arthur D. Little's West German operation, Dr Tom Sommerlatte, warns that "some people have been almost panicked" by the "fashion to diversify."

His staff are currently helping 10 major German manufacturers look for brand new fields to work in and he says there are 10 more waiting to be helped. "The first question we are asked is: 'Is there a new niche available?' And the second is: 'Are there companies in the world in this field that we can acquire that are in financial difficulty?'" he says. "Five years ago the same companies were on a completely different trip."

Big German industry may be no stranger to diversification but what is happening now is different. Many manufacturers, while not quite abandoning

their specialities, are seriously contemplating entering areas of business about which they may now know very little.

Many of the big steel, as well as mechanical and electrical engineering groups looking for new growth areas — Thyssen, Krupp, Brown Boveri, VEB, Deutsche Babcock and their cousins — are now concentrating their inquiries on biotechnology (not so much for the chemical as the engineering opportunities it may offer), factory automation, measuring technologies and the manufacture of things that need to be serviced regularly over a long time. Thyssen, in fact, has been buying up elevator companies for years because of the lucrative service contracts attached to such business.

Some Germans believe they have plenty of time to develop new markets like these. But it may not be that simple. The fashion to diversify has been taken up simultaneously by two industrial sub-cultures — the "smart set" of profitable electronics, aerospace and motor groups, which have to keep pace with rapidly changing technology; and the somewhat dishevelled collection of old metal basters and engineers to whom diversification is a matter of survival.

Companies like Siemens, Mannesmann and GHH have feet in both camps, but it was Daimler-Benz that grabbed the role of upper-class trendsetter for itself last year.

Ignoring the disaster which befell Volkswagen when it stepped out of its specialist shoes and bought the Triumph Adler office equipment group, Daimler, in just 12 months over 1985-86, bought control of MTU, the diesel and aero engine producer. Dornier, the aerospace group and the country's second biggest electricals group, and then AEG. It is now the biggest company in the country, with a

turnover of nearly DM 70bn a year.

What Daimler did has shaken the top of the German industrial tree, particularly those companies which already have some claim to being high tech. An ominous reminder of how rough things might now become was the departure earlier this summer from the Daimler supervisory board of Dr Marcus Sierich, chairman of Daimler's neighbour in Stuttgart, the Robert Bosch auto components group, and Dr Heribald Nürger, a Siemens main board director. Those enforced departures reflect the fact that Daimler

Bosch preserve for years — fuel injection systems. Faced with potential threats from both Daimler and Siemens, Bosch cannot stand idly by.

Bosch is setting great store by telecommunications, Siemens stronghold. The company already owns 40.8 per cent of a telecommunications operation, ANT Nachrichtentechnik, and through its Telefunken Telefunken and Normzeit subsidiary also has a small role in the production of Siemens' important digital public switching system.

Seen, given the growing hostility between the two groups,

Only high-technology companies have a future at the top of the German industrial pile

will soon be competing with its suppliers, a prospect that puts pressure to make a major diversification of its own, and which, in turn, may mean trouble for Siemens. The country's big banks, traditionally big industrial shareholders or creditors may even be encouraging new competition.

"They think the companies will sharpen their claws in the German market and then go abroad," says Mr Sommerlatte. "The chemicals groups used to divide up the spoils between them, but then they started competing in pharmaceuticals and it really helped them in foreign markets."

In the late 1970s, Bosch and Siemens were so chummy that they merged their household appliances businesses, but now Siemens, which is struggling to find growth markets, is plotting an entry into a niche in auto electronics that has been a

it is probably not surprising that Bosch has also been closely studying the telecoms joint venture being planned between ITT and the French group, CGE, which will have two digital switches of its own — one a direct rival to Siemens' in the German market.

The joint venture needs a German partner. Bosch, though, would have preferred to buy ITT's main West German subsidiary, SEL, outright, but was rejected. Luckily, Bosch's operations in telecommunications, including cellular radio, are still relatively small and leave room for expansion. There are other ways to go, a link with the computer group Nixdorf, for instance, or with the aerospace group, Messerschmitt-Bölkow-Blohm (MBB), that would certainly attract cartel office interest.

BMW, Daimler's major German car rival, is restless, too, and being Bavarian is also

subject to unusual political pressures, stemming from the obsession that Bavaria's premier, Mr Franz Josef Strauss, has with guaranteeing his state the role of the nation's technological leader.

Alarmed by the sight of Daimler-Benz acquiring vast high technology assets, Mr Strauss tried last year to persuade BMW to take a major stake in MBB. BMW insisted on too big a stake and the approach failed, but a tie-up between MBB and BMW remains a possibility.

Of its own accord, BMW late last year increased its 8 per cent stake in Loewe Opta, an energetic DM 220m a year producer of televisions and office equipment, to 31 per cent and announced plans to develop, jointly, new communications systems for cars.

Speculation persists about BMW's own future. It is controlled by the heirs of the late Herbert Quandt, who rescued it from bankruptcy in 1959 and the heirs have been asked by their bankers, the Dresdner Bank, whether they might not like to float their share on the stock markets. BMW would rather they did not.

Among the less sophisticated industrial majors, the pushing and shoving is already bruising. Klockner-Werke, the steel producer, and Krauss Maffei, the tank maker, are already battling with each other for the rapidly maturing injection moulding machine market.

Krupp, which would like to get rid of its diesel engine business, but finds that diesel specialists like KRD are no longer willing buyers, is concentrating its energies meanwhile on "new" materials like ceramics and, through its Atlas Elektronik subsidiary, building a range of control, security and navigation equipment. It is taking a major role in the design of Germany's first super computer.

Such a course is bound, are bound to happen.

Grand Met's double bet

Grand Metropolitan's bookmaking business is not laying any odds on who will become the heir-apparent to Sir Stanley Crispehead, head of the brewing to hotel group.

But there is plenty of unofficial wagering going on at Grand Met where it was announced yesterday that a new group chief executive will be appointed by the end of the year.

Grinstead, who has combined the roles of chief executive and chairman since the death of Sir Maxwell Joseph in 1982, is due to retire within the next three years. Front runners for the chief executive post are Anthony Tennant, responsible for the group's international operations which include IDV, the wine and spirits division, and Intercontinental, and Allen Sheppard, who masterminded the group's UK activities, which include Watney Mann & Troman and Express Dairies.

The backgrounds of the two men, both in their 50s, could not be more dissimilar. Tennant is an old Etonian whose patrician air belies a flair for marketing. His successes include Bailey's Irish Cream and Malvern.

Sheppard, a graduate of the London School of Economics, worked at Ford, Chrysler and British Leyland. He is a tough, straight-talking manager who commands widespread loyalty from his senior staff in his development of Grand Met's core UK businesses which have shown good growth at time relatively flat sector performances.

The major challenge to whoever inherits the crown will be in an area new to both yet more confusion in the Lords, where the pressure of business has been causing consternation in recent months. Yet it has to be said that redesigning the British system of investor protection from scratch was always going to be a tough proposition. The noble lords have little option but to soldier on.

Men and Matters

cession will soon be decided. At a time of repeated bid stepped out of its specialist shoes and bought the Triumph Adler office equipment group, Daimler, in just 12 months over 1985-86, bought control of MTU, the diesel and aero engine producer. Dornier, the aerospace group and the country's second biggest electricals group, and then AEG. It is now the biggest company in the country, with a

Watershed

With trade unions struggling to regain their strength of yesterday, it looks as though Nupe, the public sector union, has stepped out of its specialist shoes and bought the Triumph Adler office equipment group, Daimler, in just 12 months over 1985-86, bought control of MTU, the diesel and aero engine producer. Dornier, the aerospace group and the country's second biggest electricals group, and then AEG. It is now the biggest company in the country, with a

In what is thought to be the first deal of its kind in British industrial relations, Ron Keating, the union's assistant general secretary, a devout Anglican, has arranged for Dr Robert Runcle, the Archbishop of Canterbury, to meet workers, union officials and employers in the water industry.

The high point of the day will be a meeting between Runcle and union officials from four water industry unions at which he will give his impressions of the Crossness sewage works.

Sweet charity

In spite of all those huge Big Bang salaries, the City's good works still go on, I'm glad to see.

The latest is Cafcash, a money market fund which has just been launched by the Charities Aid Foundation, a licensed deposit-taker which acts as a clearing house for charity money.

Cafcash has two funds, one for call money and one for seven-day deposits. The idea is



"Sorry — we've got Duke Ellington, Count Basie — maybe he's a pop singer."

to attract money from savers and institutions by offering competitive rates just like any other fund, but plunging profits into charity.

Michael Brophy, the Foundation's director, expects the funds to reach £50-£100m over the next five years, which he estimates will yield about a quarter of a million a year for donations.

The funds will be run by City Deposit Brokers, a specialist house in sterling deposits. It has set up the systems at its own expense, but will collect commissions on the deposits raised.

Yesterday it was quoting 9.51 per cent for call money and 9.47 per cent for seven-day money, a touch better than a main commercial competitor, Money Market Trust, which

Clothes pegs

The Princess of Wales, noted for her high fashion, will see today what the rest of us will be wearing next year — bank managers permitting — when she pays a visit to a Courtauld's design studio in London.

"She will see our leisure wear clothes that will be in the shops next spring," says Michael Rudman, design director. "But if Diana wants to buy anything next year she will have to go to one of the big store chains such as Marks and Spencer, or British Home Stores."

"We operate on the principle of supplying bulk at a quality and price," says Rudman. "If a buyer cannot put down a quantity order then we really cannot work with him." That policy may sound brutal but it has paid off for Courtauld's. The group is now the biggest supplier in Britain to Marks and Spencer, and also sells under its own brand names — Lyle and Scott, Wolsey, Beriel and Aristoc.

Nursing a deal

I gather that yesterday's £100m deal between Guinness, Fiat Group and Forstmann-Less was not negotiated in the most propitious circumstances.

Alastair Morton, GFC's chief executive had his wisdom teeth extracted the day before he travelled to New York and he arrived looking like a mugging victim with swollen cheeks and huge purple bruises round his eyes.

But his opposite number, Peter Lusk, was in an even worse state. He had a huge gash across his scalp and a broken arm. The night before, a burglar had attacked him in his Long Island home. A good thing, perhaps, that they managed to clinch the deal without having to bang any heads together.

Observer

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INTERNATIONAL APPOINTMENTS

Alcan appoints president and picks new chairman

BY ROBERT GIBBENS IN MONTREAL

MR DAVID NORTON, one of three executive vice presidents of Alcan Aluminium, the Canadian-based, international aluminium concern, has been appointed president of the company following resignation of Mr Patrick Rich, the executive vice-president for Europe, Africa and the Middle East. The appointment puts him in a strong position to succeed to the top job at Alcan in the future.

Mr Norton, 56, a 32-year Alcan veteran, will also be chief operating officer with

day-to-day responsibility for running the worldwide operation.

David Culver, 61, now president and chief executive will become chairman and continue as CEO. The chairman's position had been vacant since Mr Nathanael Davis retired early this year. All the changes take effect on January 1.

Mr Rich, 55, had been assumed to be a contender for the presidency. However, he said in Geneva: "My heart is in Europe and I would not have accepted the position even if it

had been offered." He said he was leaving Alcan on the friendliest of terms. He is to become managing director of Société Générale de Surveillance in Geneva, an international services company. Mr Rich has been with Alcan 27 years, serving in Latin America, the Middle East and in Europe.

Alcan's European operation will now report to Mr Norton in Montreal. Mr Archie Black, the third executive vice president, who runs the Pacific operation, will also report to Mr Norton.



MR DUANE E. COLLINS (above), is to become international president of Parker Hannifin, which makes fluid-power components and systems for the industrial, aerospace, automotive and marine markets.

Mr Collins, who is 50, takes up the post on January 1 in succession to Mr Robert C. Bernal, who is to retire. He will have responsibility for Parker Hannifin's operations in 15 countries, including Parker's European manufacturing and marketing activities. He has been with the company since 1961.

Parker Hannifin had sales of over \$1.2bn in the year to June 30.

Standards board

Mr Dennis R. Boreford, national director of accounting standards of Ernst & Whinney, the public accounting firm, has been appointed chairman of the US Financial Accounting Standards Board. This corrects an error in last week's International Appointments column.

Black & Decker chief executive joins board of ITT

MR NOLAN D. ARCHIBALD, Black & Decker, Mr Archibald had been president and chief executive officer of the Black & Decker Corporation, has been elected to the board of directors of ITT, the US communications corporation.

Black & Decker is US-based, but operates in more than 50 countries, and is a leading producer of power tools as well as one of the largest suppliers of household products and small appliances.

Mr Archibald, aged 43, joined Black & Decker as president and chief operating officer in September, 1985. He added the title of chief executive officer in March 1986, and was cited recently by Fortune Magazine as one of the 10 most wanted managers in the US. Before joining Black &

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Walsh takes senior Union Pacific post

MR MICHAEL H. WALSH has been elected chairman and chief executive officer of Union Pacific Railroad, third largest rail system in the US.

Mr Drew Lewis, currently chairman and chief executive officer of Union Pacific Railroad, will become president and chief operating officer of Union Pacific Corporation when Mr Walsh's appointment takes effect.

Civil servant for Mitel

BY BERNARD SIMON IN TORONTO

MITEL, the Canadian telecommunications equipment supplier acquired earlier this year by British Telecom, has appointed Mr David Golden as non-executive chairman, to replace BT's Mr Derek Vander Weyer, who is to retire soon as deputy chairman of the British group.

Mr Golden, aged 66, is a distinguished former Canadian civil servant whose other interests include the chairman-

ship of Telecom Canada, operator of the country's communications satellites. Mr Golden, a former Oxford University Rhodes scholar, has been a director of Mitel since 1984. He is also a director of Pratt and Whitney Canada, and of Prologis, a leading Quebec retail chain.

In his civil service career, Mr Golden held senior posts in the departments of defence production and industry.

Hinton moves up at Mobil

MR JOE B. HINTON, vice president and general manager of Mobil Oil's marketing activities in the US, is to become president of Mobil Europe. He will be responsible for the company's European marketing and refining operations and will succeed Mr Faddy W. Wilson, who is retiring after 35 years with Mobil, on October 20.

Mr Hinton began his own career with Mobil in 1954 and is succeeded in his present post by Mr Thomas C. Deloach, vice president, US supply and planning, of Mobil's US marketing and refining division. Mr Deloach joined Mobil as an engineer in 1969 and took up his present position in May this year.

Accountancy Appointments

Financial Controller

London

c. £24,000 + Car

This is an outstanding opportunity to join a company positioned strongly in the security market. Turnover is around £10m. It is part of a major group and it is expanding through acquisition and entrepreneurial management.

The company is seeking a financial executive whose skills will complement the experience of a management team engaged in developing a profitable operation. The Financial Controller will report to the Chief Executive and have responsibility for financial management, including the preparation of accounts, planning and budgeting and ensuring the implementation of proper controls.

There will be opportunities to become involved in acquisitions and the control and development of

areas of the business.

Candidates should be qualified accountants in their 30's to early 40's with experience of a sales company operating a rental and maintenance contract system. You should have an understanding of computer based management information systems and as a manager you should have the initiative and flair for business development and be firm, practical and results oriented.

Please reply in confidence giving concise career, personal and salary details, quoting Ref. ER686 to: Michael Fahy, Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.



Arthur Young Corporate Resourcing

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Financial Controller

Investment Bank

c£60,000 + substantial benefits

At the forefront of activity in the City of London, our client is a major investment bank. Controlling a range of financial service activities both in the UK and internationally, the bank is undergoing rapid expansion.

As a senior member of the high quality headquarters team, the Financial Controller will play a major part in the review and financial control of the bank's operations. Working closely with the various business groups and with key responsibilities being the development and presentation of financial and management information, group

accounting and taxation, he or she will assist in the continuing enhancement of computerised systems. The position will have increasing international content and considerable exposure to senior management.

In their mid to late 30s, applicants should be graduate qualified accountants. A background in either financial services or in an international group headquarters would clearly be highly advantageous.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/492/TF.

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

GENERAL APPOINTMENTS

appear

EVERY WEDNESDAY

Accountancy Appointments appear on Thursday

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
LONDON · FRANKFURT · NEW YORK

TAX AND FINANCIAL SERVICES MANAGER

INTERNATIONAL BANKING

c. £40,000

Our client is one of the largest London based banking corporations with worldwide operations. They now wish to recruit a manager for their high profile technical unit, which forms part of the International Division's Special Financial Services section based in the City.

Joining a team of experts in financial, legal and O.R. matters, the main thrust will be to provide tax and financial advice across the whole spectrum of banking services available to their major corporate clients worldwide. These services would include areas such as international leasing, the use of tax losses, group restructuring, off-shore financing, and the repatriation of overseas profits,

coupled with a strong emphasis on helping to devise and market innovative schemes and new products, requiring close liaison with tax, legal and accounting specialists worldwide.

Candidates, who should be graduate FCA's in their 30's, must have an impeccable professional background and a wide range of experience and vision in UK and international tax matters. A minimum three year contract will be offered plus car.

Please write, in confidence, with full details of your experience, quoting reference 3506/2/L, to John W. Hills, Executive Selection Division.



Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

Appointments Advertising

£41 per Single
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and £12 per line

Premium positions will
be charged £49 per
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call:

Louise Hunter
01-248 4864

Jane Liversidge
01-248 5205

Daniel Berry
01-248 4782

CAPITAL - City Centre, high quality
corporate rates. Call 01-607 7905 for
details.

Partnership Secretary

West Middlesex

c. £20,000 + car

This highly respected twelve-partner firm of solicitors, with over 100 staff located throughout Middlesex, Surrey and Berkshire, has a wide range of corporate and private clients. The high efficiency of the firm's internal administration is of fundamental importance to the level of service provided. The Partnership Secretary will manage a small team involved in all accounting activities and have full responsibility for the production and interpretation of management information, the control and development of computerised systems, and financial planning.

A qualified accountant in your 40s or early 50s, you must have experience of controlling the finance and administration department of a well-managed organisation, and be able to work effectively at partnership level. Basic salary is negotiable and benefits flexible to suit individual circumstances.



PA Personnel Services

Executive Search · Selection · Psychometric · Remuneration & Personnel Consultancy

Hyde Park House, 61a Knightsbridge, London SW1X 7LE
Tel: 01-235 6500 Telex: 27874

FINANCIAL CONTROLLER

c. £25,000

A young, bright dynamic executive is sought to head up a Division of a rapidly expanding company in the glass industry. Based in the South West London area, the ideal candidate will be well qualified, highly commercial and ambitious.

SENIOR BUSINESS/SYSTEMS ANALYST

c. £20,000

All the same characteristics as above, but geared towards systems planning and control.

Please write in strict confidence, giving full details of age and experience, to Carol Speed, Kynaston International, Edman House, 17/19 Maddox Street, London, W1R 0BY.

EXECUTIVE JOB SEARCH

Are you earning £20,000-£100,000 p.a. and seeking a new job? Connaught's discreet and successful Executive Marketing Programme provides professional excellence in helping you to identify those unadvertised vacancies. Contact us for a free and confidential meeting to assess if we can help you. If you are currently abroad ask for our Executive Expert Service.

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Accountancy Appointments

NEWLY QUALIFIED ACAS

Newly qualified Chartered Accountants required for all offices of progressive 13 Partner practice with wide range of clients. Successful applicants will be responsible for managing the audit, accountancy and taxation affairs of a varied portfolio of clients. We are an expanding firm and excellent prospects exist for candidates wishing to make a career in professional practice.

Full written details to:
D. R. GROVES, FCA
SHEEN STICKLAND
4 High Street, Alton
Hants GU34 1BU or
Tel: (0420) 83700

Offices in Alton
Farnham, Farnborough
and Chichester

Harrison & Willis

US INVESTMENT BANK

To £30,000 + benefits

CITY

A leading U.S. investment bank, which is currently expanding its role in London and international markets has high profile career opportunities available for ACA's who have outstanding records of achievement in their academic and professional backgrounds.

The ideal candidates will be interested in joining an organisation which offers a dynamic working environment and compensates hard work accordingly.

In addition, individuals should demonstrate strong communication skills and a commitment to career expansion.

If you feel that you have the necessary qualities and would like to discuss these positions further please telephone **Graham Palfrey-Smith** on 01-629 4463 (or 01-697 6811 after 8.00pm) or write enclosing a full career history quoting ref GJPS 400 to the address below.

HARRISON & WILLIS LIMITED, CARDINAL HOUSE, 39-40 ALBEMARLE ST., LONDON W1X 3FD.
TELEPHONE: 01-629 4463.

Financial Controller

Watford

c. £20,000

Our client, Ealing Electro-Optics plc, is a USM-quoted company which designs, manufactures and markets high-precision optical and electro-optical equipment. With substantial markets in both the UK and the USA, they are presently engaged in a programme of expansion both organically and by acquisition.

They now wish to appoint a Financial Controller who will hold key responsibility for financial and management accounting, budgeting and forecasting. The Group is at an exciting stage in its development and is currently strengthening its systems and controls. The Financial Controller will be directly concerned with a large-scale computerisation exercise and the overall job will encompass many other special projects.

Candidates will probably be in the broad age range of 30-45 with proven experience of controlling a manufacturing operation. They must be able to demonstrate strong interpersonal skills along with the creative flair necessary to make a marked contribution to the company's development.

Please apply to Anthony Jones, Career Plan Ltd., Chichester House, Chichester Rents, Chancery Lane, London, WC2A 1EG, tel: 01-242 5775.

**Career
plan**
LIMITED

Personnel Consultants

FINANCIAL CONTROLLER/ DEPUTY GENERAL MANAGER

South London

c. £35,000 + car + benefits

This is a challenging opportunity in a newly created position with a very successful privately owned company which has extensive interests in interior design and contract furnishing. The company has grown rapidly to its current £8m t/o and envisages further expansion. The need is to appoint a Financial Controller who will not only develop management information systems and procedures but will also act in a General Manager capacity during the M.D.'s frequent and extensive absence overseas on business. You must be a qualified accountant, entrepreneurial but with a strongly practical streak, and able to relate well in an artistic, creative environment. Previous experience should preferably include an fancy or service industry organisation.

Written applications, enclosing up-to-date curriculum vitae, should be submitted in strict confidence to Eric Sutton at our London address, quoting reference no. 1030/7138.

410 Strand, London WC2R 0NS. Tel: 01-836 9501
163a Bath Street, Glasgow G2 4SQ. Tel: 041-226 9101
India Buildings, Water Street, Liverpool L3 0RA. Tel: 051-227 1412
113/115 George Street, Edinburgh E2 4JN. Tel: 031-225 7744
Brook House, 77 Fountain Street
Manchester M2 2BB. Tel: 061-236 1553

**DOUGLAS
LLAMBIAS**
Douglas Llamblas Associates Limited
Accountancy & Management
Recruitment Consultants



Group Financial Controller Director Designate

Suffolk

£30,000 package + Car

We have been retained by a growing group of companies who are market leaders in haulage, freight and allied management services. Currently a private enterprise, the group is profitable with a £30m turnover and substantial plans for further development.

A Director Designate is now required to manage the accounting function and co-ordinate all financial matters pertaining to the group. The development of sophisticated systems to improve operational efficiency, at both group and divisional level, and effective utilisation of external financial facilities will also be within your remit.

Aged between 30-45 and probably a graduate, you will be a qualified accountant with broad based

financial experience of computerised group accounting ideally in an industrial environment. The personality and presence to command respect with a multi-discipline workforce together with strong analytical skills and acute commercial awareness are essential for this high profile appointment.

This is a long-term career move for a suitably qualified professional candidate, offering future directorship and an attractive remuneration package to include a performance related bonus.

Interested applicants should write to Geoffrey Rutland ACA/ATIL, Executive Division, enclosing a comprehensive C.V. and daytime telephone number, quoting ref. 351, at 39-41 Parker Street, London WC2B 5LH.



Michael Page Partnership

International Recruitment Consultants

London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Exceptional opportunity in an exciting new plc

Financial Controller

Director Designate

c£30,000 + car + bonus

South West London

Our client is a new company importing high technology computer processing and peripheral equipment. The business is fast moving, high volume and has substantial and proven growth potential. The company has sound financial backing and already has established trading arrangements with leading manufacturers. It is anticipated that turnover will rise to £10 million within 3 years.

The Financial Controller will be responsible to the Managing Director for all financial matters and will take a full and active part in the management of the company. In particular, he will set up automated financial systems, establish first class credit control procedures, advise on management of funds and recruit appropriate staff. He will also be required to advise on financial aspects of trading agreements - especially minimisation of exchange control risks.

Candidates aged 28-35 years must be qualified chartered accountants with management experience - ideally in a company trading in electronic components or computer equipment. The successful candidate will also have demonstrable experience in developing, installing and managing computerised financial systems and credit control.

Attractive benefits include a 2 litre car, such as a BMW 320i, bonus, private health cover, life insurance and equity participation. There are excellent prospects for career development and early promotion to a directorship is anticipated.

Please send your CV with current salary details to Richard Brunker at the Maidenhead address below or telephone 0628 75956 for an informal discussion.

MKA SEARCH INTERNATIONAL LIMITED
MKA House
King Street
Maidenhead
Berks SL6 1EF

Shades House
Mealcheapen Street
Worcester
WR1 2DQ



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be charged £49 per
Single Column
Centimetre

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Louise Hunter
01-248 4864

Jane Liversidge
01-248 5205

Daniel Berry
01-248 4782

Group Finance Director

Surrey

Salary neg. to £45K + Car + Stock Option

Our client, is a significant, well established and prestigious Housing, Property Development and Manufacturing Group which has enjoyed consistent profitable growth, and is now well poised for a significant increase in business in the immediate future. They have identified the need to appoint a Financial Director with strong entrepreneurial, financial and business skills to play a key role in the next exciting stage of the Group's progress.

Reporting directly to the Chairman, you will be a member of the top management team and participate in formulating the policy, financial strategy, planning and preparing the Group for a public quotation. In addition you will be responsible for the day to day financial performance and funding requirements of the Group.

Candidates, aged about 40, should ideally, be graduate Chartered Accountants with an authoritative and innovative approach and possess in-depth financial and policy making experience which must have been gained at Board Level, in a progressive growth environment.

Interested candidates, who match these searching requirements, should send a detailed CV, including current salary, to Don Day, FCA, quoting reference LM15 at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.



Spicer and Pegler Associates
Management Services

HEAD OF CORPORATE ACCOUNTING SERVICES

c. £26,000

BBC

We are an equal
opportunities employer

A qualified accountant who will be responsible to the Chief Accountant - Corporate Finance for the operation of the BBC's corporate accounting systems, including treasury, and the maintenance of professional standards throughout the BBC. This is a demanding role which will involve the review and development of the BBC's financial systems to meet both current and future needs.

In addition to extensive experience gained at a senior level in financial and management accounting practice within a large organisation, applicants must be enthusiastic practitioners, used to team work and able to motivate and control some ninety staff.

Based Central London. Relocation expenses considered. Contact us immediately for application form (quote ref. 2641/F) BBC Appointments, London W1A 1AA. Tel. 01-227 5795.

International Tax Consultants International Trade Group - London

High salary
with partnership
prospects

As a result of the rapid expansion of the PW International Trade Group, we require specialists to join us as managing tax consultants to provide international tax advice to our clients and overseas offices.

International tax advice is a vital part of client service, embracing a wide range of international business transactions, mergers and acquisitions, executive taxation and remuneration packages, and establishing business operations in the UK and overseas.

You will be an essential member of an expanding team of partners and consultants working with clients and senior PW people throughout the world. As well as providing a high level of tax advice, you will be encouraged to address seminars, undertake technical research and prepare articles on important current topics.

You should have a legal or accountancy qualification and experience of international tax planning. This may have been gained with a large firm of accountants, a commercial tax department or the Inland Revenue.

If you are attracted to the challenge, commitment and pace of international tax work, we have outstanding career opportunities.

Please complete the coupon below to receive a personal history form and a copy of our new publication, "International Taxation Management and Strategy", or write, with brief CV, to John Townsend.

Price Waterhouse



Please send me a copy of your booklet "International Taxation Management and Strategy" and a personal history form.

NAME _____

ADDRESS _____

To: John Townsend

Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY

FTM

Accountancy Appointments

Finance Manager

Capital Markets
to £40,000 + car

This position is crucial to the continued growth of our client's business. The company is a successful securities house which underwrites and distributes a variety of instruments in the international markets, and is wholly owned by a major international wholesale bank.

They need a qualified accountant to lead their accounting, tax and financial planning functions. Reporting to the Deputy Managing Director, the position will involve the provision of general financial and business advice to senior management. The role will also include the development and enhancement of management information systems in addition to the day to day management of a small accounts department.

You should be in your late 20s to mid 30s, with at least five years' post-qualification experience. This should preferably have been gained within the capital markets or in a financial institution. Good communication and staff management skills are essential, as is a commercial approach.

Please write in confidence to: Jane Woodward, Executive Selection Consultant (ref 7651).

KMG Thomson McLintock
Management Consultants
70 Finsbury Pavement London EC2A 1SX

Company Accountant

Near Brighton £18,000 + Car + Benefits

The recent acquisition of this profitable £25m turnover manufacturing company by a major UK group has led to a newly created role for a commercially aware qualified accountant to join as a senior member of the management team.

Reporting to the General Manager, the position will encompass full responsibility for all financial aspects of the business including developing computerised systems, working capital management and appraisal of new investments. It also offers the opportunity to play an active role in the general management and decision making process of the company, ultimately involving additional staff responsibility.

Suitable applicants will be qualified accountants,

aged 27-33, with proven managerial ability and the potential to undertake a challenging position. Experience of export documentation and ECGD would be advantageous.

Opportunities for career development within the company and the group are excellent. A generous benefits package will include a competitive salary, a car, private medical health insurance and a performance related bonus after a qualifying period. Full relocation expenses are available where appropriate.

Interested candidates should contact John Zafar on 01-831 2000 (till 8pm) or write, enclosing a comprehensive c.v., to Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page Partnership

International Recruitment Consultants:
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
Member of Addison Consultancy Group PLC

Senior Financial Management

Data Processing/Telecommunications

Hertfordshire

£20-25,000 plus car
plus benefits

Our client is Northern Telecom, the global leader in the design, manufacture and distribution of fully digital telecommunications systems and integrated office systems. The Data Systems Subsidiary now seeks to appoint two Senior Financial Personnel to strengthen their financial team.

Financial Controller—responsible for group consolidations and head office accounting function. Must have multi-national experience, preferably in data processing environment. First hand knowledge of sophisticated computerised accounting and integrated reporting systems.

Financial Planning and Analysis Manager—Experience in multi-national market driven company. Strong market orientation. Essential to have experience in data processing/high tech industry.

The successful candidates will be graduate Accountants/MBA's aged 27-35 years, who have gained good systems experience within a commercial high tech environment.

These positions offer unique opportunities for long term career development, not only in the United Kingdom but also within Europe and North America.

Interested applicants should write, enclosing a full CV and quoting reference number 12/31 to:—

AGB Executive
173 SLOANE STREET LONDON SW1X 9QG
Tel: 01-235 8891

Gabriel Duffy Consultancy

AUDIT OPPORTUNITIES IN INTERNATIONAL BANKING

Our client, one of the leading names in the international banking field, has recently promoted a number of Financial and EDP Auditors in its European Audit team. Consequently it seeks to recruit new audit professionals for this important area.

Working in teams, auditors are exposed to all areas of the bank's activities which are supported by advanced IBM computer systems. Financial auditors spend their time on mainly systems-based audits of business functions: computer auditors are involved with installation reviews, pre-implementation reviews, and technical support to achieve a fully integrated audit.

These opportunities will be attractive to auditors with strong technical skills and superior interpersonal qualities who seek a wide ranging, challenging variety of assignments. Some travel within the UK and Europe can be expected, but should amount to no more than 25%.

Attractive salaries—which will be augmented by usual banking benefits, including a subsidised mortgage—are available to the successful candidates.

Interested persons should write to Darrell Smith, Audit Consultant, enclosing a personal history at the address below. Alternatively, he can be contacted on (01) 831 2288 day or (01) 444 3558 (evenings & weekends). Naturally, all responses will be treated in strictest confidence.

Gabriel Duffy Consultancy, Financial Selection and Search, 31 Southampton Row, London WC1B 5HU

FINANCIAL CONTROLLER/ COMPANY SECRETARY

North East Scotland circa £25,000 + benefits

Our client, a manufacturing company and part of an international group, is located in the North East of Scotland.

They wish to recruit a qualified accountant to assume control of all aspects of the company's financial and control functions.

The successful candidate will report directly to the managing director and be responsible for developing effective cost control systems and advising on issues of corporate and financial planning strategy.

As a member of the senior management team the postholder will be expected to gain credibility and contribute to the commercial success of the company by interpreting and communicating

management control information to all levels.

They require someone who is self motivated and practical in a demanding environment.

Applications are invited from candidates with at least ten years' post qualifying experience. A salary of c. £25,000 is offered and there is an excellent benefits package. Relocation assistance will be provided where appropriate.

Please write in confidence enclosing career details and quoting reference FES/210 to: Albert Cusack, Executive Selection Division,

PEAT MARWICK

Peat, Marwick, Mitchell & Co.,
135 Buchanan Street, Glasgow, G1 2JG.

Group Financial Accountant

£18k + car

West End

This is a newly created opportunity with a major public company in the electronics industry. The Group has an excellent pedigree, with high quality earnings and current turnover in excess of £200m.

In recent years the Group has grown rapidly both organically and by acquisition particularly overseas and this trend is likely to continue. You would join a small head office team working closely with the Executive Management of the Group and whilst your initial tasks are likely to centre on the development of group accounting and management information systems, financial analysis and consolidations work it is envisaged that the role will broaden into other areas including acquisition research and preparation of reports for the Board.

You should be a qualified accountant and able to demonstrate a sound grasp of financial reporting systems. The ability to grow with the job and the organisation is considered to be very important.

Salary negotiable as indicated plus car, pension and assistance with relocation where appropriate. Please write in confidence with full career details to Philip Bainbridge, Selection Consultant, ref. B.35029.

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ILG

LEISURE AND TRAVEL INDUSTRY

Assistant to Group Financial Controller

VICTORIA SALARY £18-22,000 NEG+CAR+ BENEFITS

Rapid progress, development and diversification has resulted in the INTERNATIONAL LEISURE GROUP PLC becoming a major force in the exciting and highly competitive leisure and travel industry. Our Group has experienced strong growth as a result of creative management, continual product innovation and effective management control.

We now require a chartered accountant with up to two years post qualification experience. The candidate would work as a member of a young, dynamic head office team with a high level of exposure to senior management. The work would cover all aspects of the Group Finance function but with specific emphasis on external reporting and project work and less emphasis on monthly management reporting. The role involves a substantial element of tax planning and compliance. Accordingly, the candidate should preferably have had greater than average exposure to tax work during their career. The post is seen as being an introduction to our business leading to a more commercially oriented management position.

To accept this challenge you must be in your mid twenties, ambitious, highly numerate and have first class communication skills. In return we will reward the right person with an attractive remuneration package.

Write, enclosing full CV, to:

Colin Hagood

Group Financial Controller

Stockley House, 130 Wilton Road, London SW1V 1LQ
INTERNATIONAL LEISURE GROUP plc

Head of Finance

LONDON S.E.

Age 30-45

£30,000 + car

A major company, turnover in excess of £70 million, employing over 400 people and part of an international group wishes to appoint a Head of Finance.

Reporting to the Managing Director you will lead a department which is already well established and be responsible for all aspects of the company's accounting and reporting requirements. You will also have responsibility for the further development and implementation of computerised information systems.

As a key member of the senior management team you will be heavily involved in the provision of financial and commercial information for the board, and will help to plan and implement strategies for the future. Administrative and secretarial duties may also be included as well as the opportunity for direct liaison with other companies within the international group.

Applicants should be qualified accountants and have wide experience in manufacturing industry. Salary is negotiable at £30,000 and there is a car and other attractive fringe benefits. Prospects are very good.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2711 to WL Ltd, Executive Selection Division.

Touche Ross
The Business Partners

8th Floor, 1 Little New Street, London EC4A 3TR. Telephone: 01-553 8011.

MANAGEMENT ACCOUNTANT

Get to grips with the business of Information Technology

BASED FELIXSTOWE □ c.£19K (UNDER REVIEW)

British Telecom's International Products Division is extending the frontiers of Information Technology at home and abroad with new ideas, products and services.

Our Government and Advanced Projects Unit (GAP) works at the leading edge of computer and communications technologies, exploring new techniques and developing state-of-the-art solutions for government departments and large international companies. Applications range from home and overseas information networks using encryption, telephony, microcomputers and a whole range of Office Automation Systems.

The GAP Unit is now searching for a Management Accountant whose brief—to produce a wide mix of accounts, budgets and forecasts whilst monitoring developments and accounting for new product launches—will call for close interaction with Engineering, Marketing and Sales departments.

We hope to appoint a Graduate with at least 3 years of Management Accounting experience in an Operational Company who recognises this as a

stimulating career move. Someone who will make full use of the sophisticated database and spreadsheet systems at their disposal.

The future prospects and the rewards (including relocation) are attractive as is the lifestyle offered in Felixstowe... low-cost housing, beautiful countryside and coastline and superb leisure facilities.

If you're ready to grasp the opportunity, please phone Roy Gibbs on 0394 693431 or Graham Muirhead on 0394 693429 during office hours. Alternatively write to Catriona Jenkins with your CV at British Telecom, Room 2126, 23 Howland Street, London W1P 6HQ. Please quote ref: FT35.

British TELECOM
International Products Division

British Telecom is an Equal Opportunities Employer

FINANCE MANAGER

An expanding international fund management company in the City invites application for the above position:

Job description:

- Supervision over the preparation of accounting records for the Company and its clients;
- Production of semi-annual and annual reports and budgets for unit trust under our management;
- Preparation of statutory returns;
- Supervision over office administration.

Job requirements:

- Self-motivated and dynamic character;
- Professional qualification in accountancy;
- At least five years' post-qualification experience, preferably from a similar service industry;
- Good communication skills.

Competitive remuneration package will be offered to the successful candidate. Please forward your curriculum vitae with expected salary and a recent photograph to:

Box A0287, Financial Times
10 Cannon Street, London EC4A 4BT

ASSET MANAGERS PLC

DIVIDEND CLERK

An experienced dividend clerk is required for a leading fund management company specialising in private client portfolios. The applicant will be responsible for maintaining all client dividend records. Salary will be negotiable according to age and experience.

Apply: Asset Managers PLC, Plantation House, Fenchurch Street, London EC3M 3DX. Telephone: 01-220 7231.

Accountancy Appointments

Appointments Advertising

£41 per Single Column Centimetre and £12 per line Premium positions will be charged £49 per Single Column Centimetre

For further information, call:

Louise Hunter
01-248 4864

Jane Liversidge
01-248 5205

Daniel Berry
01-248 4782

Financial Accounting

In a rapidly expanding, major UK retailing group
North London c. £20,000 + benefits

Following a recent merger and as a result of the ensuing growth in this well-known group's activities, an exciting opportunity has been created within this small, but dynamic and committed finance team.

As a recently qualified and ambitious accountant, aged mid to late 20s, you will have management capability and the ability and confidence to work with management at all levels.

Responsibilities will encompass the development of both financial and management accounting procedures, preparation of the

statutory accounts and monitoring of the cash position. Further duties are likely to include the tax affairs and wide-ranging ad hoc projects. The role offers a management experience and excellent exposure to sophisticated computer systems and high-level management reporting.

Success here, added to energy, enthusiasm and initiative, will lead to outstanding career development prospects within this highly-regarded organisation.

To apply, please send cv, indicating current salary to Fiona McMillan, Ref: SSAS/1065/FT.

PA

PA Personnel Services

Executive Search-Selection-Psychometrics-Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

Newly Qualified/Finalist

City c£16,000

We are one of the largest stockbrokers in Western Canada and having established a branch in the City we now require a professional accountant to join our team.

Working closely with the Managing Director and the dealers, responsibilities will include day-to-day accounting, cash and trade books, clients statements, liaison with Vancouver head office and the development of enhanced computerised systems. The aim is to develop our operation and the range of products so the role promises interesting opportunities and challenges in providing the support for these developments.

As a key member of a young, dynamic team good communication skills and a mature but adaptable and flexible approach are essential. The successful candidate will be ready to employ a "shirt sleeves" approach in a hardworking and stimulating environment.

Please write in confidence enclosing career details to
M.J. Bleber, Managing Director Continental Carlisle Douglas (UK) Ltd.,
12th Floor, Winchester House, 77 London Wall, London EC2N 1BE.



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Montreal Stock Exchange, FIMBRA

Ability and experience really can be more important than qualifications Growth minded Business Finance Professional to manage the Customer Finance Function of a dynamic high-technology company

c£25000

West of London

Quality Car

A substantial part of our client's business involves the on-going supply of computer systems to organisations which, in turn, add value and "sell-on" these systems to end-users. This environment entails the constant review of existing credit facilities, negotiation of revised finance arrangements and creation of new financing packages to assist the sales effort over all. The objective is to maximise sales with the minimum commercial risk - with all this entails in terms of managing sensitive situations within a framework of conflicting motivations.

We seek, therefore, a person who has the managerial skills to lead and further develop the existing Customer Finance Team - and who has the commercial experience to evaluate the financial viability of small companies, some of which may be under-capitalised. Personal visits to selected customers during the re-assessment process is a vital part of the job. We are describing, therefore, a senior and important role which has far reaching consequences in the development of both our client's business and the businesses of its customers.

Whilst formal Business Credit Management experience together with Membership of the relevant professional Institute would be ideal, selection will ultimately be made on the basis of ability. Depending upon the particular background of the person appointed, a number of paths can provide further career progression. You will be joining one of the world's best known international companies which offers an excellent package with large company benefits. Applicants should write, highlighting the more relevant experience, to David May at PDL (Recruitment Consultants), Elliott House, 28a Devonshire Street, London W1N 1RF. Tel. 01-486 8991.

PDL Management Selection

Dixons Group plc Group Financial Executive

Edgware

to £22,000 + Car

Dixons Group plc need no introduction as a leading force in high street retailing. Its recent and well publicised rapid expansion highlights its dynamic management style and aggressive stance in the marketplace.

Due to the continuing expansion programme, an opportunity has been created for a young, ambitious and commercially minded accountant to play a key role in the group management team. Reporting to the Group Financial Controller, you will be responsible for reviewing the operations of subsidiary companies and providing financial and business input into the strategic decision making processes. In addition you will work with Group Senior Management on a variety of

ad-hoc and project related assignments.

This is an extremely high profile job which will allow the successful candidate to use and develop their initiative, creativity and business sense. Career prospects within the group are excellent.

The successful candidate will be a top calibre ACA aged ideally 25 to 28 with excellent communication and analytical skills and the ability to succeed in a demanding and stimulating environment.

If you believe you are of the calibre our client requires, contact Tim Forster on (01) 831 2000 or write to him at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.



Michael Page Partnership

International Recruitment Consultants

London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Assistant Financial Analyst

-PROJECT APPRAISAL-LONDON

We are looking for a Financial Analyst to work as part of a small team responsible for the financial appraisal of capital projects and of other major plans and policies at British Gas Headquarters in central London.

The successful applicant will have a numerate degree and/or an appropriate professional qualification (not necessarily in accountancy) and will have experience in project appraisal, probably in a large company. Some experience of using computer techniques would also be an advantage.

Starting salary will be in the range of £13k to £16k (currently under review). Benefits, including relocation expenses as appropriate, are those you would expect from a large progressive organisation.

To apply, send full personal and career details quoting reference FIN/00095/026, to Liz Randall, Senior Personnel Officer (HQ Services), British Gas plc, 59 Bryanston Street, London W1A 2AZ. An equal opportunities employer.

British Gas
ENERGY IS OUR BUSINESS

FINANCE MANAGER

EUROPE

UK based

c.£20,000 + car

Our US client is opening an office near Heathrow Airport, from which to control the marketing and distribution of its medical equipment and related electronic products to the UK, Europe and the Middle East. They seek a finance manager to join the small executive team.

The main tasks will be to establish and maintain effective accounting and administrative controls, to prepare budgets and cash forecasts for the region against which actual results will be monitored and to look after all local tax, legal and general administrative matters.

Applicants must be qualified, preferably graduate ACAs with at least three years commercial experience, ideally related to the importation/distribution function and the high-tech sector; a good knowledge of the use of PCs is vital. The salary is negotiable around £20,000 p.a. plus car and usual benefits. The post will involve some travel to Europe, the Middle East and the US.

Please write in confidence, with full career details, quoting reference 6521/L to John W. Hills, Executive Selection Division.



Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

FINANCIAL SERVICES MANAGER

Thames Valley

c.£20,000 + car + Bank bens.

Due to expansion and strengthening of the finance function, our client, a leading Finance House, has created a new opportunity for a commercially minded accountant.

Reporting to the Finance Director, the main tasks will be the provision of strategic and financial plans and the appraisal of branch, product and dealer profitability. In addition, the Financial Services Manager will be responsible for heading a department of seven, and developing management information systems. You will also play a leading role in new product appraisals and acquisition studies.

Candidates will be qualified Accountants aged 28-35, and well equipped to play an influential role in the future strategy of a fast moving organisation. Experience gained in financial services with specific involvement in corporate planning would be an advantage.

An attractive remuneration package is offered including non-contributory pension, preferential mortgage facility, private health insurance and a quality company car.

All applications will be discussed with our client and candidates should therefore indicate any organisation for which they do not wish to be considered. Please apply directly in writing to Suzanne Wood.

Robert Half Personnel, Mountbatten House, Victoria Street,
Windsor, Berks SL4 1HE. 0753 857181.



ROBERT HALF

Management/ Computer Auditor

PROGRESSIVE HIGH TECHNOLOGY ENVIRONMENT

Salary: c.£19,500 + car

Kent, Surrey, Sussex

Our client, a British company - part of a very large multinational group, is a world leader in the design and manufacture of high technology products with a turnover of £170m.

This senior position arises due to promotion of the previous incumbent. Reporting to the Group Internal Audit Manager, responsibilities will cover management audit and investigations, and the vetting of new computer systems to be installed within the company's factories.

A keenly ambitious person is required who, after initial indoctrination, is able to work entirely on their own initiative. Whilst preference will be given to fully qualified chartered accountants with at least 2/3 years post qualification experience, consideration will be shown to unqualified candidates who have practical experience in public company factory audits, preferably in the electronics industry.

The remuneration package will include a contributory pension scheme and five weeks holiday p.a. Prospects for advancement within the multinational group are exceptional.

Applications in strict confidence with full CV to Brian G. Luxton under ref 6887.

MERVYN HUGHES

Mervyn Hughes International Ltd.,
Management Recruitment Consultants,
37 Golden Square, London W1R 4AN Telephone 01-434 4091

EUROPEAN ANALYSIS

Accountant

to £25K

Our client, a well established UK Stockbroker with backing of a major continental European Bank, requires an accountant to join its highly successful and expanding European team.

Candidates should have a financial control or auditing background. Specific knowledge of European accounts would be an advantage.

A good working knowledge of French and/or German also required.

For further details please write or telephone in strict confidence quoting reference SM1561

Rochester
Recruitment
Limited



22A College Hill
London EC4A 3RP
Telephone:
01-248 6346 (0533 280151 Even)

FINANCE DIRECTOR (DESIGNATE)

Somerset

Age 30 - 35

c £20,000 + car

This new post arises in an established manufacturing subsidiary (turnover £6 million) of a major group supplying the food and catering industry. The company has recently embarked on a three year plan to move out of its mature market into innovative higher margin products. The policy is achieving initial success and a commercially minded qualified accountant is now sought to take responsibility for the finance, purchasing and administration functions.

The successful candidate will be expected to improve management information systems and to contribute fully to management decisions. Appointment to the board will be based on performance after about 12 months and prospects thereafter will include general management opportunities with the parent group.

Please send a comprehensive career résumé, including salary history and daytime telephone number, quoting ref: 2712 to G.J. Perkins, Executive Selection Division.

Touche Ross

The Business Partners

Hill House, 1 Little New Street, London EC4A 3TR. Telephone: 01-353 8011.

Accountancy Appointments

Group Accountant

London from £25K to £30K + car

Our client is a highly successful international services company involved in a variety of business sectors throughout the world with a current turnover of £1 billion. An opportunity has arisen for a Group Accountant who will report to the Group Controller and be responsible for the preparation of monthly management accounts, group plans and statutory reports. The introduction of new computer systems and the incorporation and implementation of the latest technical accounting procedures will also be within your remit.

Aged late 20's/early 30's, you will be a graduate ACA, either from the profession or a suitable commercial environment. As a key member of the new financial team, you must be decisive, confident

and able to communicate effectively as you will be working closely with subsidiaries and other head office departments. Sound technical knowledge and the ability to create computer systems are essential. For a determined individual who is keen to become involved in the broader aspects of an expanding organisation, the prospects for career progression are excellent. The salary will be negotiable depending upon experience and the package will include a company car, BUPA and contributory pension scheme.

Interested applicants should write to Philip Rice ACA, Executive Division, enclosing a comprehensive C.V. and daytime telephone number, at 39-41 Parker Street, London WC2B 5LH, quoting ref. 352.



Michael Page Partnership

International Recruitment Consultants

London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

FINANCIAL CONTROLLER

ACA/ACMA/ACCA + 2 years PQE + non-smoker

Computer Industry London SW1 c.£25,000 + car + excellent benefits

Our client is the U.K. subsidiary of an American multi-national, a world leader in its particular sphere of state of the art software technology. Rapid growth has led to the need to strengthen the finance function by the appointment of a Financial Controller, reporting to the Managing Director, to take full responsibility for the day to day running of the department. A key task will be the design and implementation of accounting systems and procedures. The company makes extensive use of high technology equipment.

To succeed in this exciting and vital organisation, you must not only be qualified and have a minimum of 2 years' PQE but a sound knowledge of computer systems and a positive, lively personality. You must also be capable of making a major contribution to the running of the business. Prospects are excellent.

Written applications, enclosing up-to-date curriculum vitae, should be submitted in strict confidence to Eric Sutton at our London address, quoting reference no. 1028/7128.

410 Strand, London WC2R 0NS. Tel: 01-336 9501
163a Bell Street, Glasgow G2 4SQ. Tel: 041-226 3101
India Buildings, Water Street, Liverpool L2 0JA. Tel: 051-227 1412
113/115 George Street, Edinburgh EH2 4JN. Tel: 031-225 7744
Brook House, 77 Fountain Street
Manchester M2 2EE. Tel: 061-236 1553

DOUGLAS LLAMBIAS
Douglas Llambras Associates Limited
Accountancy & Management
Recruitment Consultants



Treasury Manager

Middlesex c£24,000 + car + bonus

We are acting on behalf of a highly successful International Group Headquarters of a major US blue chip company whose exceptional financial stability has been built around aggressive marketing strategies. A specialist in healthcare products, our client has projected a \$150 million turnover in the next twelve months and is committed to further growth and expansion.

Reporting to the Vice President and Controller, the Treasury Manager will be responsible for instigating a long term plan to upgrade the treasury systems. The role has an asset management bias but you will also establish a close rapport with the corporate treasury function in the US and develop close relationships with financial institutions in the City.

Aged 26-32, and preferably with an accountancy

background, you must have a proven track record, working in an autonomous capacity within a US multinational. The ability to work effectively to the highest professional standards in a pressurised environment, identify business opportunities and the flexibility to travel are essential.

International prospects with the group are excellent as corporate treasury is viewed as a desirable promotion route to controllership or operational responsibility.

If you feel you have the personal presence and personality to meet the challenges of this demanding appointment, please write to Geoffrey Rutland ACA, ATIL, Executive Division, enclosing a comprehensive C.V. and daytime telephone number, at 39-41 Parker Street, London WC2B 5LH, quoting ref. 350.



Michael Page Partnership

International Recruitment Consultants

London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Key financial, administrative, business support role

Commercial Management

c£20,000 + car + London weighting West End

A leading \$1.2 billion US manufacturer of high technology equipment is continuing to expand its successful U.K. operations with a policy of regionalising its sales and support functions.

An exciting opportunity has emerged for a high calibre individual with a business related degree or accountancy background to take up a new role as Regional Support Manager based in London. The role will provide dedicated financial, administrative and commercial/business support to sales, systems engineering and customer service management. In a truly "dynamic" environment, day to day problem

solving, performance analysis and advice on business deals are the key tasks as a central member of the management team.

Aged 27-35 you will have had at least five year's business experience in an administrative/financial function, in a computerised office environment. Strong commercial awareness and interpersonal skills are vital. The attractive benefits package will include relocation assistance where appropriate.

Please send your career and current salary details to David Edwards or telephone him on 0628 75956.

MEA SEARCH INTERNATIONAL LTD
MEA House
King Street
Maidenhead
Berk SL6 1EF



INTERNATIONAL FINANCE

High-tech Cambridge from £25,000 + car

The Cambridge Instrument Company plc has an enviable reputation for innovation in the development of scientific instruments, semiconductor equipment and industrial products. This well-known multinational has achieved consistent growth over the last five years. Following the acquisition, earlier this year, of Reichert-Jung, Group turnover has more than doubled and now over 3,000

Group Chief Accountant

An ambitious chartered accountant with a high level of technical expertise is sought to take full responsibility for the financial consolidation and reporting activity of the Group, involving close liaison with overseas subsidiaries. Reporting to the Group Finance Director, but with a high level of autonomy on accounting matters, you will also monitor currency exposures and taxation aspects within the Group's complex fiscal structure.

An independent thinker, you should have the ability to develop and refine accounting policies and procedures, and have worked at management level to US and European accounting standards. Ref: 88A/1046/FT.

Both appointments have excellent, negotiable salary packages, which include a company car and comprehensive benefits, as well as relocation assistance to this delightful city. If you like the pace and intellectual challenge of a high-pressure, high-technology environment, and your ambitions

employees are engaged in product development, manufacturing, sales and support activities, involving several client technologies in locations throughout Europe, North America and the Far East.

In response to this growth and in anticipation of exciting plans for future development, the following new positions have been created within the corporate financial team.

International Accountant - Operational Review

Working closely with the Group Finance Director, this new role will entail reviewing the operations and financial performance of the subsidiaries to ensure conformance to corporate standards and compliance with best business practices. You will advise and influence management in all areas of the business.

This role requires a young, self-motivated accountant, probably aged late 20s, with strong communication skills, and offers excellent career progression as well as extensive international travel. You should have experience of operational review, ideally gained in an aggressive audit department of a US multinational. Ref: 88A/1047/FT.

match those of a growing international group, then please send your C.V. quoting the appropriate reference and indicating current salary, to Fiona McMillan, HR Personnel Services, Hyde Park House, 60a Knightsbridge, London SW7 7LE. Alternatively, telephone her on 01-235 6060.

Cambridge Instruments

Ambitious, Articulate Public Sector Accountants

to £25,000 plus car & other benefits

Coopers & Lybrand Associates is one of the leading firms of management consultants in the U.K. with an established and expanding role in all aspects of the public sector both in the U.K. and overseas.

We are therefore looking for young, ambitious, qualified accountants with relevant experience to make a positive contribution to the development of our domestic and international business in the energy, water and transport sectors. You will be ready to take on a variety of challenging assignments using your technical skills to diagnose, analyse, and resolve wide-ranging managerial and financial issues.

You will be a self-starter between the ages of 27 and 32 who can demonstrate rapid career progression. You will be called upon to use your personal and technical skills as part of a multi-disciplinary team and be given the opportunity of advancing your own career whilst aiding the continued expansion of Coopers & Lybrand.

We offer a remuneration package up to £25,000 plus car and PPP with further rewards geared to achievement.

If you feel that now is the time to capitalise on your public sector experience and realise the potential built into your career so far, please send a résumé quoting ref: E04/14 including a daytime telephone number to Alan Goodman, Coopers & Lybrand Associates, Plumtree Court, London EC4A 4HT.

Coopers & Lybrand

GENERAL

APPOINTMENTS

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Planning a career move or just looking?

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pages every Wednesday. Need to recruit

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to advertise.

COMPANY ACCOUNTANT SMALL COMPANY - BIG PLANS

Guildford

My client offers a quality service to a broad range of business users. The company has an enviable record of growth over the past four years; future plans are increasingly ambitious. As the company grows, so does the need for professional expertise, because growth isn't simple.

But you know this already. You are a young Accountant who has qualified with a large practice. You may have sampled commercial life first hand or you may be helping companies achieve their objectives from a professional/consultancy base. You know about the glamorous side of growth, the implementation of sophisticated computer systems, the planning towards USM flotation, the cut and thrust of commercial life. I hope you also know about the less glamorous side, the routine accounting, the routine administration.

You also know what's required of an individual who's going to be a driving force within such a company; strength of purpose, an incisive mind, dedication to achieving results and an understanding of people.

All in all, you know a lot. If you want to DO a lot, then contact me, Nigel Murray, either by telephone or in writing.

Telephone: (0483) 85568 (out of hours 0730) 87808



Management Personnel

Shaw House, 2 Tunsgate, GUILDFORD, Surrey GU1 3QT

TAKEOVER FEVER!

ACAs/CAs/ACCAs/ACMAs/MBAs neg. to £22,500 plus car

Our City based client has an annual turnover of c.£1,000m which has been built up through a frenetic series of takeovers during the last 2 years.

This British Group has major subsidiaries in the UK, UNITED STATES and AUSTRALIA and seeks several young ACAs/CAs/ACCAs/ACMAs/MBAs or equiv. in the age range 23-32 to monitor and review the business operations in each individual subsidiary. Around 10 weeks of the year will be spent in either U.S.A. or Australia.

The successful candidate will have a combination of positive attributes. He or she must be a flexible self-starter, precise, logical, assertive and able to communicate with management at all levels.

Please telephone and send your C.V. to:

Tim Wingham, ACA,
ACCOUNTANCY APPOINTMENTS EUROPE,
1-3 Mortimer St., London W1.
Tel: 01-580 7680/7739
01-537 8271 ext 281/282



Accountancy Appointments

REDWOOD PUBLISHING LIMITED FINANCIAL DIRECTOR £25,000 + CAR

Redwood Publishing is a young and dynamic magazine publishing house. Backed by four City venture capital institutions it has, in 3 years, established itself as one of the most exciting new publishing companies in the commercial sector.

We wish to appoint a Financial Director who will have total control of our finance and accounting functions. The company operates in a disciplined financial environment and a crucial requirement is the provision of timely and accurate management information. The job also encompasses the duties of the company secretariat.

Aged 27/35, the successful candidate will have the relevant professional qualifications and commercial experience. He, or she, will be appointed an Associate Director of the company and will be a key member of the senior management team. This will entail sharing in the strategic direction of a company where the main emphasis is on expansion and growth.

The job is based in the company's attractive offices in Covent Garden. Please send a full cv, in confidence, to Philip Sounrock, Chairman, Redwood Publishing Limited, 141/143 Drury Lane, London WC2B 5TF.

Group Financial Accountant

A challenging opportunity for recently qualifieds
West London c.£18,000 + benefits

This high-technology aeronautical and electrical group is greatly expanding through a strategy of organic growth and tactical acquisitions. Planned future growth has created an excellent opportunity for an ambitious, self-motivated, recently-qualified accountant.

Reporting to the Group Financial Controller, this role initially will involve co-ordinating the financial and management reporting of the group, from consolidation and statutory accounting to advising the autonomous subsidiaries on procedures. In addition, you will have increasing involvement in acquisition work and will monitor, for example, cash-flow, funding, and potential currency and tax exposure.

Excellent career opportunities exist within the group as a result of this expansion, and it is likely

that promotion to a Controlling/Directionship of an operating subsidiary will occur in the short to medium term. You should be an ACA/ACMA/ACCA, aged mid-20s, with the ability to liaise confidently at all levels and work in a highly pressurised environment. It is essential that you have microcomputer experience and the desire to make a positive contribution to the continued success of this organisation.

An excellent negotiable remuneration package which will include relocation assistance is payable, dependent on age and experience.

PA

To apply, please send cv, indicating current salary, to Fiona McMillan, Ref: SSAB/1066/FT.

PA Personnel Services

Executive Search - Selection - Psychometrics - Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

Financial Director - Designate

Not less than £23,000 p.a.
plus Rover 2.6 car
London SW6

Our client is Mann & Overton Ltd., for 80 years the main supplier and financier of London type taxicabs and now part of the Manganese Bronze Group.

This energetically directed enterprise seeks a Chartered Accountant to head the finance and computer functions and to act as Company Secretary.

The post calls for finance and accounting experience in a customer conscious business retailing consumer durables and for significant computer familiarity. A motor trade background is highly desirable and a knowledge of insurance and purchase financing would help.

This is an excellent opportunity to join an enthusiastic and expert team and contribute positively to the expansion of this successful and expanding firm.

Candidates up to the mid-forties are asked to write, with a cv and daytime telephone number, quoting reference 1477, to:-

BinderHamlyn
MANAGEMENT CONSULTANTS
Trevor Austin, Executive Selection Division
BinderHamlyn Management Consultants
8 St Bride Street, London EC4A 4BA

North West £15,000 + Car

Assistant to Chief Accountant

Our client is one of the biggest retail enterprises in the UK. Restructuring in the central finance function calls for the appointment of an Assistant to the parent company Chief Accountant through whom reporting will be to the Group Financial Controller. The fundamental job purpose will be to evaluate existing systems and methods and to recommend and implement improved procedures for provision of information to the Group parent Board - all to be based on latest computer technology.

Aged mid-20's upwards and a qualified Chartered Accountant, the successful candidate will demonstrate an ability for creative analysis, familiarity with micro-computers and their capabilities, c.dsp presentation and a concern for performance to tight deadlines.

We seek an enthusiastic self-starter. In return, our client offers both ample opportunity to grow and a generous benefits package. Assistance will be given with necessary relocation expenses.

Letters of application, together with CV, salary progression and any other relevant data should be sent without delay to the Managing Director, Performance Management Limited, 8th Floor, Peter House, St. Peter's Square, Manchester, M1 5BH, quoting ref: P114.



Performance Management Limited
MANAGEMENT CONSULTANTS

Management Accountant

Join the European Market leaders
in welding equipment

ESAB Group (UK) Limited is a subsidiary of a major international company with a dominant position in the market for welding equipment and consumables.

We are looking for a qualified or part qualified Management Accountant to work in the Group's finance department at Waltham Cross, responsible for all aspects of accounting for the central distribution operation. This challenging role involves working closely with management in a highly computerised environment and includes analysis and control of distribution costs, budgeting and stock control.

Ideally aged 26-35, you must be flexible in your approach and looking to develop your career in industry. Salary is negotiable up to c.£17,000 depending on your qualifications and experience.

Please write with full career details to:
Mr. John Davies, Personnel Manager,
ESAB Group (UK) Ltd.,
Hertford Road, Waltham Cross,
Herts. EN8 7RP.

ESAB ESAB GROUP (UK) LTD

FINANCE MANAGER c£17,000 + car.

Our client, a profitable manufacturing company, forming part of a major international group, is seeking to recruit an ambitious qualified accountant.

This is an exceptional career move for a young, highly motivated accountant capable of taking responsibility for the entire financial and management accounting spectrum. Working as part of the management team the successful candidate will have the personality and self confidence to provide financial advice within the company, at all times demonstrating commercial awareness.

Proven experience gained within a manufacturing environment is essential, as is familiarity with computer systems, standard costing procedures and budgetary controls.

In addition to an attractive remuneration and benefit package including car, this key position carries excellent short and long term prospects with this growing organisation.

If you are interested, please send a full CV to: Confidential Reply Service Ref G.M.L.3, c/o Harrison Cowley, 5/7 Forde Road, Maidenhead, Berkshire SL6 1RP.

Harrison Cowley
SEARCH - RECRUITMENT ADVERTISING - SELECTION

TAX PARTNER DESIGNATE

Hacker Young is an expanding medium sized City firm of Chartered Accountants. Our busy Tax Department, which currently consists of 30 professional staff is undergoing a period of exciting growth and change, being well advanced with computerisation.

We are looking for a professionally qualified Senior Manager who can perform to the highest professional standards, who is commercial, dynamic and forward thinking. You must have very strong corporate experience, a sound involvement in international tax affairs and be able to undertake tax planning assignments.

Salary is negotiable according to age and experience. If you are ready to meet this challenge and are thinking about partnership prospects we would like to hear from you.

Please apply enclosing a full cv. to:

Edward Greenbury
Managing Partner
Hacker Young
St. Alphage House
2 Fore Street
London EC2Y 5DH

Hacker Young
Chartered Accountants

Automotive Aftermarket Finance Director

West Yorkshire c. £35,000 + car

Following the stimulus of a management buy-out, our client, an aggressive marketing-orientated company and leader in its distributive field, plans to continue the substantial growth achieved since its formation in the mid-70's - turnover currently c. £60 million.

As a result an exceptional, qualified accountant, probably aged 28-35, is sought to strengthen the Board in its development role. Emphasis will be on financial and strategic planning and it is therefore essential that the successful candidate has similar or closely relevant experience. This may have been gained in financial consultancy, corporate planning or with a financial institution.

Reporting to the Chief Executive, the person appointed will be joining a dynamic young team, flexible and innovative in its approach and optimistic about the future. Prospects are excellent and should include building an equity stake. Relocation expenses are available.

To apply, please telephone us in confidence as consultants to the company, quoting Reference 321/FT. (24 hour answering service).

EBE Edward Bottomley Executive
Search & Selection
39 YORK PLACE, LEEDS LS1 2ED. Tel. (0532) 451455 - 4 Lines

CHARTERED ACCOUNTANTS WITH BANKING EXPERIENCE

London

£ Negotiable + Benefits

Ernst & Whinney's extensive and expanding banking industry group blends its specialist accounting and consulting skills into a cohesive client service.

We wish to hear from ambitious professionals with practical experience of accounting, consulting or auditing in the financial services industry who would welcome the prospect of joining the team. The wide range of our banking practice will provide excellent opportunities for the full deployment and extension of existing skills.

Those with strong technical expertise together with commensurate energy, commitment and communication skills can expect to see rapid career advancement. The preferred age bracket is 26 to 35.

There are also a small number of vacancies for newly qualified Chartered Accountants with auditing experience gained in the financial sector.

Please write with full cv. to Barry Compton.

E&W Ernst & Whinney
Accountants, Advisers, Consultants
Becker House, 1 Lambeth Palace Road, London SE1 7EL Tel: 01-978 2000.

Hoggett Bowers

Executive Search and Selection Consultants

Young Management Accountant

A development role with excellent international prospects
Western Home Counties c£16,000, Bonus, Benefits

This new position is based at the international headquarters of a successful £100m operation which supplies its products to worldwide markets, from manufacturing bases in the UK, Europe and the USA. Reporting to the Financial Controller, responsibility is for the regular collection, analysis and interpretation of financial information from five major profit centres, together with ad-hoc investigative assignments. Candidates in their early-mid 20s must be qualified or finalist accountants, with the ability to use computerised systems as analytical tools, and an understanding of international consolidations. Good communications skills, and a willingness to build a close, constructive rapport with the operating units, are essential. Some overseas travel will be required.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to S.P. Spindler, Hoggett Bowers plc, 36 High Street, Eton, WINDSOR, SL4 6BD., 0753 850851, quoting Ref: 24058/FT.

FINANCIAL CONTROLLER c £20,000 plus car

Kimpton Walker is a leading supplier of stage and television scenery, based in SW2, with a current turnover of £3m and some notable construction achievements in its portfolio. Current workforce is around 80.

We are seeking to recruit a Chief Accountant—a senior appointment reporting to the M.D.—to head up a small, busy accounts department. Applicants, aged between 28-40, must have 3/5 years' experience in a manufacturing environment with a sound knowledge of job costing, stock and W.I.P. control, budgeting and forecasting, all aspects of production of monthly and annual accounts and experience of computerised accounts systems.

This is an outstanding opportunity to make a significant contribution to the expansion of an already successful young company.

Please write with full CV career details to: Fiona McLaren, Kimpton Walker Ltd., 43/47 Acre Lane, London SW2 5TN. Tel: 01-787 3317

Kimpton Walker

INTERNATIONAL COMPANIES and FINANCE

In Hamburg
look over beautiful Alster Lake
from the heart of the city.

HOTEL INTER-CONTINENTAL HAMBURG



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call your nearest Inter-Continental sales office or your travel agent.

Akzo buys Monsanto chemicals unit

By Laura Rasmussen in Amsterdam

AKZO, the Dutch chemicals and fibres company, has bought the paper chemicals business of Monsanto, the US chemicals giant, for an undisclosed amount.

The acquisition is in line with Akzo's strategic policy of strengthening its special chemical operations, making the Dutch company the world's second-largest concern in paper chemicals behind Hercules of the US. The Monsanto business, led by FRP Company of Baxley, Georgia, also fits in with Akzo's desire to expand its overall US activities.

FRP makes special resins used in paper, printing inks and coatings and employs 100 people. Akzo declined to give the company's turnover. Monsanto will continue to produce selected paper chemicals at its Nitro, West Virginia, plant under Akzo management.

Akzo also refused to reveal its current sales in paper chemicals, which include Pioneer Chemicals of the US, a maker of defoamers, de-bonders and sizes. In Europe, Akzo Chemie manufactures resin sizes, surface sizes and alum.

The Arnhem-based Dutch company still is believed to be looking for further US acquisitions to rebuild its sales there after last year's sale of American Enka.

FEW FIREWORKS EXPECTED IN W. GERMAN PRIVATISATION

IVG flotation to raise DM 163m

BY ANDREW FISHER IN DÜSSELDORF

THE LAST company to be offered, in part at least, to investors under West Germany's cautious privatisation programme is a motley collection of property, transport, oil storage and research activities.

Through the sale of 45 per cent of the shares in IVG, or Industrie Verwaltungen Gesellschaft - roughly translatable as Industrial Management Company - the Government will raise some DM 163m (\$81m).

Neither the company nor the issuing consortium headed by Dresdner Bank is expecting any fireworks from the issue, which was priced yesterday at DM 166 for each share of DM 50 nominal worth.

It is the sort of share to be bought, said Mr Alfons Titzbach, a director of Dresdner Bank, "when you are looking for a sensible investment for your children."

Because IVG is so little known outside Germany, foreign investors are not expected to take much interest either.

But IVG and Dresdner are hoping that the IVG shares will do better than those of VIAG, another state-

owned company which was partially privatised this summer. Coincidentally, the issuing price was also DM 166.

Shares of VIAG, which has interests in chemicals, energy and aluminium, have traded below the issue price since the state reduced its shareholding.

The price set for the IVG shares was below that expected in some stock market circles, reflecting the recent weakness of stock prices and the fact that the issue is not a glamorous one.

IVG's executives were at pains yesterday to emphasise the reliability, if unspectacular, nature of the company and its performance. Group turnover was DM 558m last year (no comparison is available) while group pre-tax profits were 14 per cent higher at DM 43m.

The parent company made net profits in 1985 of DM 13.5m (DM 5.2m). Up to mid-1986, profits were DM 7.1m, and IVG thus expects the full year's result to be better than that of 1985.

Mr Gunter Nastelski, a director

of IVG, said the company was characterised by "solidity, low and manageable risk, the long-term nature of its business, moderate steady growth and a secure yield."

Thus, he added, the shares "are not a speculation." This year's dividend is forecast by the company at DM 7, or 14 per cent, giving a 6.6 per cent yield after tax relief at the placing price. Last year's dividend was DM 6.

IVG's main business is property management. It has around 1.2m square metres rented to 850 tenants on 40 different sites around the country. These produce a turnover of just over DM 100m a year.

Originally set up to provide military and other services to the German Government, IVG has moved more and more into the private sector.

It owns 3,400 railway wagons for transport of specialised cargoes, has nine oil storage depots with a total capacity of nearly 860,000 cubic metres and rents out space for fuel storage in underground salt caverns in northern Germany.

IVG also owns 74 per cent of IABG (Industrieanlagen-Betriebsgesellschaft), a Munich company which carries out research and testing work on defence and civil projects such as the Leopard tank and the Ariane rocket.

The proportion of shares being privatised - nominal share capital was recently lifted from DM 75m to DM 110m - corresponds approximately to the proportion of IVG's turnover that is now outside the public sector.

With a general election to be held next January, IVG will be the last privatisation in this legislative session. Mr Gerhard Stoltenberg, the Finance Minister, is keen that more chunks of state industry should be sold off to the public.

However, even if the present conservative Government wins it expected victory, further share sales will not be that easy to achieve.

Local political interests, such as those of the state of Bavaria under Mr Franz Josef Strauss, have already hindered a sell-off of Luft-hansa, the national airline.

Pacific Bell in expansion agreement

PACIFIC BELL, a unit of the Pacific Telephone holding company, has entered into a memorandum of understanding with Integrated Technology, of Texas, and Tandem Computers to develop advanced telecommunications network systems for use in its network, agencies report.

Under the memorandum, Pacific Bell will purchase a 24.5 per cent interest in Integrated Technology, a developer of new network software technologies. Tandem will increase its holdings to equal that of Pacific Bell, but no figures on amounts to be invested were made available.

A Massachusetts businessman, Mr Sumner Redstone, has applied to the Federal Trade Commission to boost his stake in Viacom International from nearly 10 per cent to as much as 24.99 per cent.

In a filing with the Securities and Exchange Commission, Mr Redstone and other executives of National Amusements, the cinema chain he controls, also said Redstone had met other parties seeking to buy Viacom, a big TV station group which is facing a \$2.78m management buyout.

LTV, the big US steel, energy and aerospace group, can continue paying retired workers' benefits for a six-month grace period while it reorganises under Federal bankruptcy laws, a New York judge has ruled.

US District Judge Mary Johnson Lowe yesterday refused a request by 21 banks that she throw out a bankruptcy judge's order allowing the payment plan. The banks contended the order violated proper procedure because they were not given enough time to respond, and argued it was contrary to bankruptcy law.

Maxwell enters bid contest for printer

BY DAVID GOODHART IN LONDON

MR ROBERT MAXWELL'S attendance yesterday at the British Labour Party conference in Blackpool did not prevent him indulging his favourite pursuit of causing confusion in the City of London through his entry into a contested takeover bid.

Mr Maxwell, publisher of the UK's Mirror Group Newspapers, announced that he had acquired a 5.9 per cent stake in the printing group McCorquodale which is attempting to fight off a hostile bid from fellow printer Norton Opax.

However, Mr Maxwell is believed not to be interested in making his own bid for McCorquodale - which would almost certainly attract the attention of the Monopolies and Mergers Commission - but rather to block the intervention of Ertel, the printing and newsagency group, in which he has a 26 per cent stake.

Last Friday, when Mr Maxwell acquired his 5.9 per cent stake, McCorquodale announced it was in discussions with another company over a possible merger to save it from the unwanted attentions of Norton Opax. It is widely believed that the other company is Ertel.

Ertel's interest in a deal with McCorquodale would be, in part, to

make a take-over by Mr Maxwell more difficult. Following the Demerger Corporation's failed £170m bid for Ertel last April the Take-over Panel blocked a possible bid from Mr Maxwell for one year, ruling that he acted in concert with Demerger. However, his retention of a large minority stake implies continued interest in Ertel.

Nevertheless Mr Clive Chalk of merchant bank Samuel Montagu, acting for Norton Opax, warned against making too many assumptions about Mr Maxwell's motive.

"He's such a complex personality, it's very difficult to guess what he is up to," he said.

He added, however, that, if Mr Maxwell's stake was a prelude to a bid, it would probably have been acquired by his company, the British Printing and Communication Corporation (BPCC), rather than himself.

Mr Maxwell and Norton Opax have met before. In 1983 Norton bid for John Waddington, the UK board games group, which then attracted a higher bid from BPCC. Norton eventually sold its stake to Mr Maxwell. A good omen for McCorquodale - Waddington then escaped twice from BPCC.

Lafarge Coppée trebles profits

By David Housego in Paris

LAFARGE COPPÉE, the large French cement group which has been expanding its biotechnology activities, yesterday announced a threefold rise in first-half profits.

The group said that net consolidated profits during the first six months rose by 247 per cent to FF8,516m (\$287m) excluding minority interests. Turnover during the period dropped 14 per cent to FF7,170m on the basis of current exchange rates.

The group says, however, that on the basis of an unchanged exchange rate, and comparable structure, turnover rose by 5 per cent during the six months period.

The sharp profit increase stems from the group's cement activities in North America, France and Brazil.

By contrast, first-half profits on Lafarge's biotechnology interests were down compared with the first half of 1985 - which in any case benefited from exceptional items.

Consolidated operating profits rose by 153 per cent to FF8,600m.

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(Incorporated in the State of Delaware, U.S.A.)

DM 200,000,000

6½% Subordinated Bonds of 1986/1996

Citibank Aktiengesellschaft	Commerzbank Aktiengesellschaft	Deutsche Bank Aktiengesellschaft
Banca del Gottardo	Banque Bruxelles Lambert S.A.	Bayerische Vereinsbank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank	CSFB-Effektenbank	DG BANK Deutsche Genossenschaftsbank
Dresdner Bank Aktiengesellschaft		Westdeutsche Landesbank Girozentrale
Arab Banking Corporation - Daus & Co. GmbH Badische Kommune Landesbank - Girozentrale -	Banca Commerciale Italiana Banca Exterior (Suiza) SA Bank für Gemeinwirtschaft Aktiengesellschaft Bank Gutzwiller, Kurz, Bungeger (Overseas) Limited Bank Mees & Hope NV Bank of Tokyo (Deutschland) Aktiengesellschaft Bankers Trust GmbH Banque Internationale à Luxembourg S.A. Berliner Bank Aktiengesellschaft Chase Bank Aktiengesellschaft Crédit Industriel d'Alsace et de Lorraine Crédit du Nord Daiwa Europe (Deutschland) GmbH Deutsche Girozentrale - Deutsche Kommunalbank - DSL Bank Deutsche Siedlungs- und Landesrentenbank Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft	Hamburgische Landesbank - Girozentrale - Industriebank von Japan (Deutschland) Aktiengesellschaft Kidder, Peabody International Limited Kreditbank N.V. Landesbank Rheinland-Pfalz - Girozentrale - LTCB International Limited Merck; Finck & Co. Metallbank GmbH B. Metzler seel. Sohn & Co. Mitsubishi Finance International Limited Morgan Guaranty GmbH Morgan Stanley International The Nikko Securities Co., (Deutschland) GmbH Nippon Credit International Limited Nomura Europe GmbH Sal. Oppenheim Jr. & Cie. Schweizerische Hypotheken- und Handelsbank Trinkaus & Burkhart KGaA Vereins- und Westbank Aktiengesellschaft M. M. Warburg-Brückmann, Wirtz & Co. Westfälische Bank Aktiengesellschaft

1st October, 1986

Production falls at American Motors

AMERICAN Motors, the Michigan motor group in which Renault of France has a 48 per cent stake, said its monthly US car production declined in September to 4,129 from 11,497 in the same year-ago period.

It said year-to-date domestic automobile production was 41,084 compared with 87,349 in the 1985 period.

AMC said September's jeep production was 25,300, up from 22,618 a year ago. Year-to-date jeep production was 140,828, down from 187,547 in the 1985 period.

YOKOHAMA ASIA LIMITED
(Incorporated in Hong Kong)
U.S.\$100,000,000
GUARANTEED FLOATING RATE NOTES DUE 1994



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Notice is hereby given that the Rate of Interest for the interest period has been fixed at 8¼% p.a. and that the interest payable on the relevant interest Payment Coupon No. 6 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$312.81.

October 2, 1986, London
By: Citibank, N.A. (CSS Dept.), Agent Bank

CITIBANK

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

1st October, 1986



Kansallis - Osake - Pankki

(Incorporated with limited liability in Finland)

Yen 15,000,000,000 Subordinated 8½ per cent. Bonds due 1993

Issue Price 118 per cent.

Nomura International Limited

Daiwa Bank (Capital Management) Limited

Kansallis Banking Group

Mitsui Trust International Limited

Prudential-Bache Securities International

U.S. \$15,000,000

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Notice is hereby given that in accordance with Clause 3 of the Certificates, the Issuer will exercise the Call Option and redeem all the outstanding Certificates at their principal amount on 12th November, 1986 when interest on the Certificates will cease to accrue.

Repayment of principal together with accrued interest will be made upon presentation of the Certificates at the offices of the Issuer on 12th November, 1986.

IBJ International Limited
Agent Bank

SEK

AB Svensk Exportkredit

(Swedish Export Credit Corporation)

US\$150,000,000
Floating Rate Notes Due 1990

For the period 30th April, 1986 to
31st October, 1986 the Notes will carry an
Interest Rate of 6.7268% per annum
with a coupon amount of US\$343.81
per US\$10,000 Note payable 31st October, 1986.

Bankers Trust
Company, London

Agent Bank

INTERNATIONAL COMPANIES and FINANCE

Nippon
Kokan buys
stake in
engineer

By Yoko Shibata in Tokyo

NIPPON KOKAN, the big Japanese steel group, has taken up a minority holding in Hamai, a financially hard-pressed machine tool manufacturer, in a move which strengthens its efforts to diversify into engineering businesses.

NKK will take up a special new allotment of 2.46m Hamai shares, giving it about 9 per cent of the smaller company's equity, and making it one of Hamai's two biggest shareholders along with Yasuda Mutual Life Insurance. NKK is understood to have an option to raise its stake to 20 per cent at a later stage.

Hamai, which incurred a loss of ¥51m on sales of ¥435m (\$31.7m) in the six months to March 31, is a specialist in numerically controlled machine tools, machining centres and factory automation products. Its financial performance has been severely depressed in recent months by the appreciation of the yen.

NKK, in addition to its strong position in the steel business, has been diversifying in recent years into other areas, including machinery. Sales of this division are projected to reach about ¥200m in the current business year.

The tie-up between the two companies was negotiated by Fuji Bank and Yamaichi Securities.

Ssangyong to take 19.8% of Dong-A Motor

SSANGYONG Cement Industrial, the South Korean conglomerate, has agreed in principle to buy a 19.8 per cent stake in Dong-A Motor, the country's oldest bus and special vehicle builder, for between 15 and 20bn won (\$17m to \$20m) as the first step towards a full takeover, agencies report from Seoul.

Ssangyong Cement or one of its subsidiaries will sign an agreement with Dong-A this week. The purchase will give Ssangyong management control of Dong-A.

Dong-A, South Korea's fourth largest motor manufacturer, is capable of producing 7,000 buses, trucks and special vehicles a year. It has a net profit of 1,244m won on sales of 67,074m won in 1985.

VW expects record group
sales of 2.8m vehicles

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN PARIS

THE Volkswagen Audi group this year stands a good chance of beating its 1979 sales record of 2.553m vehicles. When models from Seat, the previously state-owned Spanish group which became a VW subsidiary in June, are taken into account, the group's output is expected to top 2.8m vehicles in 1986.

Next year, according to Mr Schmidt, director for worldwide sales, there should be another advance of up to 10 per cent in group sales.

Worldwide daily production is currently more than 12,000 cars and the VW group "is moving up into a new scale of production and sales, through which even our position gained in 1985 as the leading manufacturer in Western Europe will be built on," he said at the run-up to the Paris Motor Show.

One cloud on VW's horizon, however, comes from the bad publicity about its Audi 5000 models in the US, where the company is strenuously denying allegations that the models can accelerate without warning.

Mainly as a result of this publicity, US sales of the Audi 5000, known as the Audi 100 in Europe, are expected to drop from last year's 74,000 to about 60,000 in 1986, said Mr Schmidt.

"We can sell the surplus cars on other markets," he added, but admitted that Audi was the only part of the VW group with some car production capacity to spare.

Of this year's 2.8m vehicle deliveries, Seat would contribute about 340,000, while commercial vehicle sales will be more than 5 per cent ahead of the 219,000 in 1985. Last year total VW, Audi and Seat sales reached about 2.65m.

Mr Schmidt reported that VW's capital expenditure excluding that for Seat—jumped by 60 per cent in the first half of 1986 compared with the same period of last year to DM 2.3bn (\$1.13bn) representing 8 per cent of sales.

The money had been spent on new products and revamping factories but not to increase production capacity only to clear some bottlenecks.

The group had also squeezed out more car production from Seat, and by starting output of the Jetta car alongside the Golf in the US factory at relatively short notice, had obtained an additional 25,000 cars for Europe.

Mr Schmidt said that the licensing deal for Nissan to produce the VW's Santana in Japan from German components would have to be renegotiated during the coming year. Although the arrangement had not lived up to expectation—annual sales of the Santana in Japan are only about 12,000 compared with the 20,000 hoped for—but "there is a 50 per cent chance" a new deal will be negotiated.

Talks with Ford about a possible merger of their production facilities in Brazil were going smoothly, said Mr Schmidt. Work on a business plan was likely to show the concept was worthwhile and, if it did, financial discussions would begin. He refused to say how long the process might take.

Foreigners hail Malaysian incentives

BY WONG SULONG IN KUALA LUMPUR

FOREIGN businessmen and bankers have welcomed the liberalisation of equity rules and incentives, announced by Dr Mahathir Mohamad, the Malaysian Prime Minister, to stimulate foreign investments.

They stressed, however, that it was important the bureaucracy implemented the new guidelines in the right spirit, and the Malaysian leadership took further steps to create confidence and stability.

Dr Mahathir told a group of businessmen in Kuala Lumpur that new investors could retain up to 100 per cent equity in their ventures in Malaysia if they met one of the four conditions.

These are: the company must export at least 50 per cent of its products; sell at least 50 per cent of its products to companies in the Malaysian free trade zones or licensed manufacturing warehouses; employ more than 250 full-time Malaysian workers; or adopt an employment policy at all levels reflecting the racial composition of the country.

In cases where foreign equity is less than 100 per cent, the balance to be taken up by Malaysians should conform with the New Economic policy guidelines, but again, the rules will be applied "without undue rigidity."

The more liberal rules represent, according to Dr Mahathir, a "radical departure" of the New Economic Policy, which limits foreign equity to 50 per cent, and underline the importance of fresh foreign investments to revitalise the depressed Malaysian economy, hit by poor commodity prices.

"Malaysia clearly needs another round of industrialisation to pull it out of recession, and we must admit we need foreign businessmen because of their expertise and overseas markets," said Mr Tan Keok Yin, executive director of the Federation of Malaysian Manufacturers.

ment in the region. It already controls a 55 per cent shareholding in Barbados External Communication (BEC) in a joint venture with the Government and operates the telephone services in most of the Leeward and Windward Islands.

Continental owns 85 per cent of the shares in the telephone company, and, according to Cable & Wireless, the shares are expected to change hands by the end of the year. No figure has been given officially but local financial analysts say it is around US\$7.5m.

The remaining shares are divided between the Government and private shareholders.

The company employs 663 workers.

Cable & Wireless has announced plans to seek a listing on the Hong Kong stock exchange before the end of the year. The proposed listing will not involve a new issue of shares, writes Kevin Hamlin in Hong Kong.

C & W to control Barbados Telephone

BY TONY COZIER IN BRIDGETOWN

THE BARBADOS Government has approved the purchase of a majority shareholding in the Barbados Telephone Company by Cable & Wireless of the UK. The seller is Continental Finance Corporation of Atlanta, Georgia.

The deal follows two days of talks between the Government and C & W on the company's capital structure, management structure and regulatory details.

The acquisition increases Cable & Wireless' considerable investment in the region. It already controls a 55 per cent shareholding in Barbados External Communication (BEC) in a joint venture with the Government and operates the telephone services in most of the Leeward and Windward Islands.

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Providers of Funds

Chemical Bank

Barclays Bank PLC • The Chase Manhattan Bank, N.A. • Citibank, N.A.

Morgan Guaranty Trust Company of New York

Amsterdam-Rotterdam Bank N.V. • Bank of Scotland

The Industrial Bank of Japan, Limited • National Westminster Bank PLC

Swiss Bank Corporation

Bankers Trust Company • Manufacturers Hanover Trust Company

The Royal Bank of Scotland plc

Tender Panel Members

Bankers Trust International Limited • Barclays Bank PLC • Chase Manhattan Limited

Chemical Bank International Limited • Citicorp Investment Bank Limited

E.B.C. Amro Bank Limited • Goldman Sachs International Corp. • IBI International Limited

Lehman Brothers International • Manufacturers Hanover Limited

Shearson Lehman/American Express Inc.

Merrill Lynch Capital Markets • Samuel Montagu & Co. Limited • Morgan Guaranty Ltd

NatWest Investment Bank Limited • Nomura International Limited

Salomon Brothers International Limited • Swiss Bank Corporation International Limited

Paying Agent

Citibank, N.A.

Arranger, Agent and Tender Panel Agent

Citicorp Investment Bank Limited

August 29, 1986

CITICORP INVESTMENT BANK

Earnings
well ahead
at Bank
Indosuez

By Paul Betts in Paris

BANK INDOSUEZ, the French international banking group, yesterday reported net after-tax earnings of FFr 607m (\$91.4m) for the first half of this year.

The bank said there were no comparable figures for the first half of last year, since like other major French banks, Indosuez is reporting consolidated first half results for the first time. However, the first half profits reflect a strong advance since the bank reported net earnings of FFr 625m for the whole of last year.

Indosuez said a substantial part of the advance in profits came from financial operations and the sale of securities.

The bank added that its earnings this year were likely to show a strong advance over 1985. It also reported that total pre-tax revenues from current operations had increased by 20 per cent in the first half to FFr 4.4bn.

Pallas Group buys stake in Tradition

By Our Financial Staff

THE PALLAS GROUP, controlled by Mr Pierre Monse, has acquired a 17 per cent stake in Compagnie Financière Tradition, the Lausanne-based financial services group.

The interest was acquired from Swiss and French institutions and makes Pallas the group's third-largest shareholder. Others are Tradition Associates with 26 per cent and the Levy family, which founded the group, with 20 per cent. Public shareholders own 37 per cent.

MIM Holdings

An article in the FT yesterday which concerned Canadian Pacific's sale of shares in Cominco inadvertently said that MIM Holdings had an interest in the Broken Hill mine. It should have said Mount Isa.

Weekly net asset value

Tokyo Pacific Holdings (Seaboard) N.V.

on 29th Sept., 1986 U.S. \$132.67

Listed on the Amsterdam Stock Exchange

Information: Parsons, Holding & Pionier NV, Haringvliet 214, 1016 BG Amsterdam.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE SEPTEMBER 30 1986	Redemption	Yield	Change on Week	12 Months High	12 Months Low
US Dollar	8.912	-0.380	10.830	8.738	
Australian Dollar	14.363	-0.181	14.630	12.830	
Canadian Dollar	10.430	-1.296	11.820	10.373	
Euroguilder	5.983	1.184	6.400	5.913	
Euro Currency Unit	8.451	-1.308	9.524	8.164	
Yen	6.346	-0.549	7.250	6.207	
Sterling	11.063	-0.530	11.932	9.751	
Deutschemark	6.442	0.249	7.210	6.318	

Bank J. Vontobel & Co Ltd, Zurich - Telex: 812744 JVBZ CH

This announcement appears as a matter of record only.

Britoil plc

U.S. \$550,000,000

Multiple Facility

Providers of Funds

Chemical Bank

Barclays Bank PLC • The Chase Manhattan Bank, N.A. • Citibank, N.A.

Morgan Guaranty Trust Company of New York

Amsterdam-Rotterdam Bank N.V. • Bank of Scotland

The Industrial Bank of Japan, Limited • National Westminster Bank PLC

Swiss Bank Corporation

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Paying Agent

Citibank, N.A.

Arranger, Agent and Tender Panel Agent

Citicorp Investment Bank Limited

August 29, 1986

CITICORP INVESTMENT BANK

These securities having been sold,
this announcement appears as a matter of record only.



U.S. \$100,000,000

Republic of Finland

7½ per cent. Bonds due 1996

Citicorp Investment Bank Limited • Prudential-Bache Securities International

ASLK-CGER Bank • Bank of Tokyo International Limited

Banque Nationale de Paris • Baring Brothers & Co., Limited

Crédit Commercial de France • Daiwa Europe Limited

Dresdner Bank Aktiengesellschaft • EBC Amro Bank Limited

Enskilda Securities • Goldman Sachs International Corp.

Skandinaviska Enskilda Limited

IBJ International Limited • Kansallis Banking Group

Morgan Stanley International • Nomura International Limited

Postipankki • Swiss Bank Corporation International Limited

Union Bank of Finland Ltd. • Union Bank of Switzerland (Securities) Limited

S.G. Warburg Securities

September, 1986

CITICORP INVESTMENT BANK

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Investors favour short-dated deals

BY CLARE PEARSON

BORROWERS returned to the Eurobond market yesterday as prices rose following overnight gains in the US Treasury market. As well as a crop of Eurodollar bonds, two large deals were arranged for sovereign borrowers in the D-Mark and yen sectors.

But many of the new deals suffered during the afternoon as the market's initial euphoria wore off. In particular, the market reacted with indifference to new offerings for US financial institutions, which have been long out of favour, and to deals with long maturities.

But short-dated bonds can still find favour with investors and Citicorp Investment Bank took advantage of this with a three-year deal for European Coal and Steel Community. The \$75m 7 per cent bond was priced at 101 1/2 to yield about 1 1/2 points over the yield on comparable US Treasury bonds. It traded within the fees at a bid price of about 99.00.

Meanwhile, Credit Suisse First Boston and Morgan Stanley found less enthusiasm for their deals respectively for Citicorp and Henry Funding, a subsidiary of Mutual Life.

Both issues provided initial

yield spreads of more than one percentage point over US Treasury bonds at launch. Citicorp's \$200m seven-year deal, led by Morgan Stanley, was priced at 100 1/2 with a coupon of 8 1/2 per cent. It is callable from 1990 at par.

Henry Funding's \$150m 10-year 8 1/2 per cent deal is priced at 99 1/2. Both were quoted at potentially loss-making levels for underwriters.

Nomura International also met lacklustre demand for its \$70m bond for Shikoku Electric Power. The seven-year 8 1/2 per cent bond was priced at 101 1/2.

Tokai International led a \$100m 15-year convertible bond for its parent Tokai Bank, which was partially pre-placed. Terms will be fixed on October 13, but the indicated coupon is 2 1/2 per cent.

A long-expected \$600m deal for Triple A rated Norway emerged yesterday, led by Nomura International. The five-year 5 1/2 per cent issue was priced at 101 1/2. Some dealers said these terms were aggressive but the lead manager quoted a bid price at a discount to the 1 1/2 per cent fees.

In the French franc market,

Credit Commercial de France led a FF750m 15-year issue for TFO, the Finnish power company. The deal, priced at 99 1/2, will pay interest at 8 1/2 per cent during the first five years and then interest payments will

D-Mark bonds rose about 1 point, mainly on professional buying, while larger gains were seen in the domestic market. In Switzerland, prices were mixed to slightly firmer. A SFR 150m issue for Caisse Nationale des Telecommunications ended its first day's trading at 99 1/2 compared with a 100 1/2 issue price.

The Swiss market saw three new private placements. Credit Suisse brought forward a Japanese metals concern, with a SFR 80m five-year bond carrying equity warrants and the guarantee of Dai-ichi Kangyo Bank. It has a 1 1/2 per cent indicated coupon.

Nishio, a Japanese real estate company, raised SFR 50m with a convertible bond led by Handelsbank with a 1 per cent indicated coupon. Japan's SFR 50m seven-year issue, guaranteed by Industrial Bank of Japan and led by Banque Paribas (Swiss), is priced at par with a 5 per cent coupon.

Simex gives details of US T-bond futures

By Steven Butler in Singapore

THE SINGAPORE International Monetary Exchange (Simex) yesterday announced that trading in a US Treasury bond futures contract would begin on October 6, marking the first trading of US T-bond futures in the Asia Pacific region.

The announcement follows a month of record trading on the exchange. Total exchange volume rose by 54 per cent above the record set in August to 116,767 contracts. Open interest, or outstanding contracts, at the end of the month rose 81 per cent, according to data compiled in New York by IBF Information Services.

New issue volume so far this year has already surpassed 1985's record annual amount of \$134.5bn, reflecting progressive increases in interest rates during the year.

Australian Wheat Board streamlines borrowings

BY ALEXANDER NICOLL

THE AUSTRALIAN Wheat Board, one of the most active and established issuers in the Eurocommercial paper market, has streamlined its borrowing arrangements with a new \$600m programme replacing three previous Eurocommercial facilities totalling \$1.05bn.

The programme, arranged by the borrower itself and signed this week, is part of its annual campaign to fund the purchase of the Australian wheat harvest. Overall, borrowings will be somewhat lower this year because of lower wheat prices.

Another Australian borrower, the Australian Industry Development Corporation, is also expected to launch a similar operation in the next few weeks. It is likely to arrange a \$1bn Eurocommercial programme replacing and expanding present facilities.

The new Wheat Board Eurocommercial paper programme is not expected to result in a

reduction of the board's actual dollar outstanding in the Eurocommercial paper market. However, it has arranged several new financings in other currencies as part of a \$2.5bn foreign borrowing operation for this year, and re-

The board is seen as a sovereign borrower in the markets and regularly pays as much as four basis points below London interbank bid rates, compared with about six basis points for a sovereign such as Sweden.

Among other deals in this round of AWB financings, Banque Nationale de Paris has been mandated to arrange an Ecu 125m revolving underwriting facility — the board's first borrowing in European Currency Units — while a DM 110m facility has been arranged by Commerzbank (South East Asia). The board has raised a \$200m financing and renewed a \$200m and a DM 300m facility.

In the US, it has reduced its commercial paper programme from \$1bn to \$750m and a bankers acceptance facility from \$650m to \$500m. In Australia, its financing arrangements total A\$2bn.

COMMERCIAL PAPER

duced the total size of its facilities in the US domestic market.

The \$600m programme has six dealers: Citicorp Investment Bank, County NatWest Capital Markets, Credit Suisse First Boston, Salomon Brothers International, Saudi International Bank and Swiss Bank Corporation International.

It replaces a \$300m ECP programme signed last year and two facilities of \$500m and \$250m.

CSFB tops lead manager table

BY OUR EUROMARKETS STAFF

TOP EUROBOND BOOKRUNNERS FIRST NINE MONTHS 1986

Ranking	1985	1986	Market share %
1	17.7	11.5	
2	12.15	8.4	
3	10.18	7.1	
4	7.99	5.5	
5	7.07	4.5	
6	6.4	4.2	
7	5.84	3.9	
8	5.43	3.5	
9	4.98	2.9	
10	4.31	3.1	

Source: IDD Information Services

CSFB has increased its market share to 11.5 per cent, and has topped Deutsche Bank from its fifth position in the first nine months of 1986 as new issue volume in the Eurobond market reached \$14.4bn, according to data compiled in New York by IBF Information Services.

New issue volume so far this year has already surpassed 1985's record annual amount of \$134.5bn, reflecting progressive increases in interest rates during the year.

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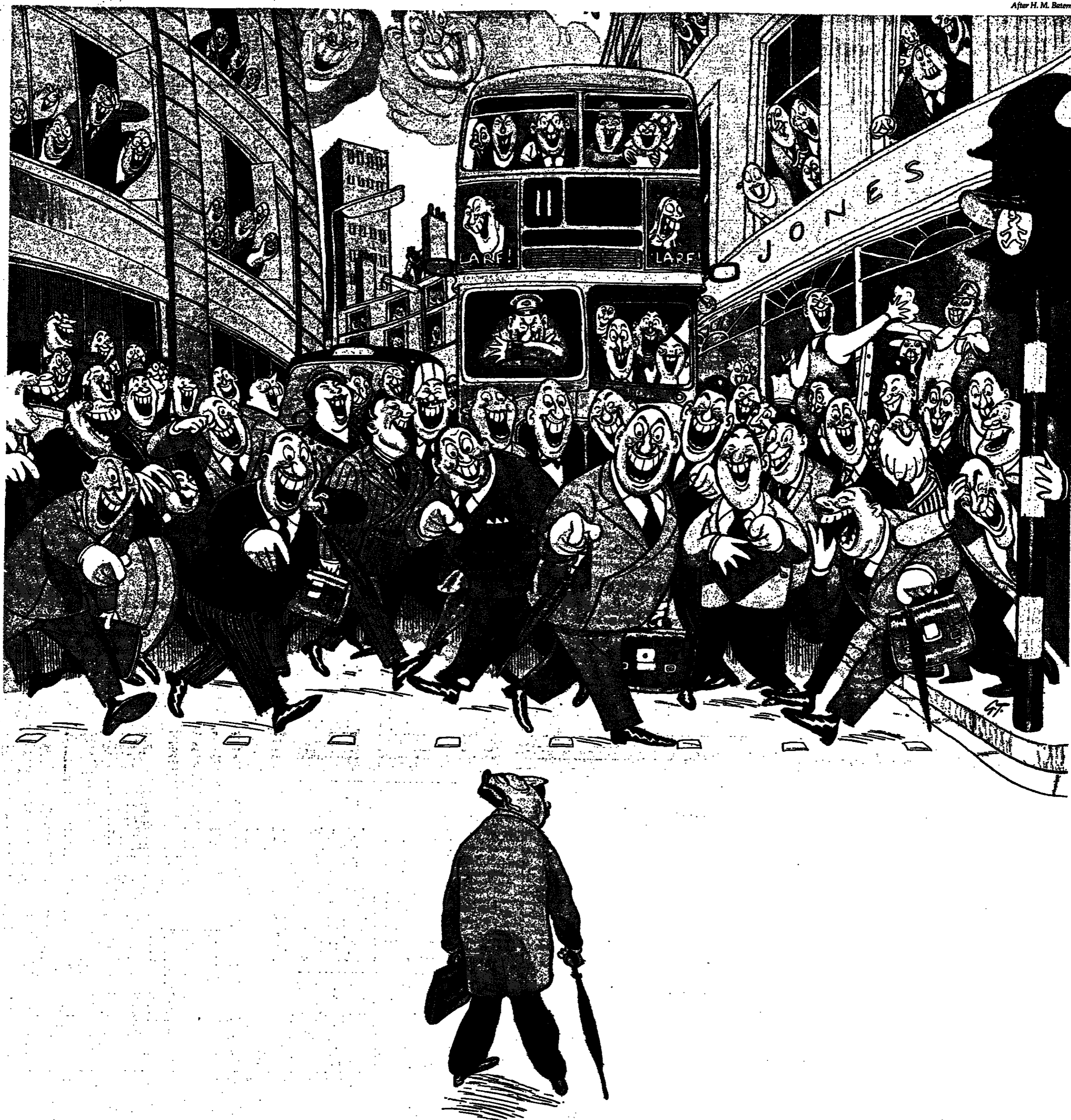
New issue volume so far this year has already surpassed 1985's record annual amount of \$134.5bn, reflecting progressive increases in interest rates during the year.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on October 1.

ISIN	Issue	Face	Yield	Price	Change
GB0000000000	UK Govt 10.50	100	10.50	100.00	0.00
US0000000000	US Govt 10.00	100	10.00	100.00	0.00
FR0000000000	FR Govt 10.00	100	10.00	100.00	0.00
JP0000000000	JP Govt 10.00	100	10.00	100.00	0.00
DE0000000000	DE Govt 10.00	100	10.00	100.00	0.00
IT0000000000	IT Govt 10.00	100	10.00	100.00	0.00
ES0000000000	ES Govt 10.00	100	10.00	100.00	0.00
BE0000000000	BE Govt 10.00	100	10.00	100.00	0.00
NL0000000000	NL Govt 10.00	100	10.00	100.00	0.00
SE0000000000	SE Govt 10.00	100	10.00	100.00	0.00
DK0000000000	DK Govt 10.00	100	10.00	100.00	0.00
NO0000000000	NO Govt 10.00	100	10.00	100.00	0.00
FI0000000000	FI Govt 10.00	100	10.00	100.00	0.00
IS0000000000	IS Govt 10.00	100	10.00	100.00	0.00
PT0000000000	PT Govt 10.00	100	10.00	100.00	0.00
GR0000000000	GR Govt 10.00	100	10.00	100.00	0.00
TR0000000000	TR Govt 10.00	100	10.00	100.00	0.00
IN0000000000	IN Govt 10.00	100	10.00	100.00	0.00
TH0000000000	TH Govt 10.00	100	10.00	100.00	0.00
PH0000000000	PH Govt 10.00	100	10.00	100.00	0.00
MY0000000000	MY Govt 10.00	100	10.00	100.00	0.00
SG0000000000	SG Govt 10.00	100	10.00	100.00	0.00
HK0000000000	HK Govt 10.00	100	10.00	100.00	0.00
MO0000000000	MO Govt 10.00	100	10.00	100.00	0.00
CU0000000000	CU Govt 10.00	100	10.00	100.00	0.00
VE0000000000	VE Govt 10.00	100	10.00	100.00	0.00
BO0000000000	BO Govt 10.00	100	10.00	100.00	0.00
CO0000000000	CO Govt 10.00	100	10.00	100.00	0.00
PE0000000000	PE Govt 10.00	100	10.00	100.00	0.00
EC0000000000	EC Govt 10.00	100	10.00	100.00	0.00
VE0000000000	VE Govt 10.00	100	10.00	100.00	0.00
BO0000000000	BO Govt 10.00	100	10.00	100.00	0.00
CO0000000000	CO Govt 10.00	100	10.00	100.00	0.00
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CO0000000000	CO Govt 10.00	100	10.00	100.00	0.00
PE0000000000	PE Govt 10.00	100	10.00	100.00	0.00
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VE0000000000	VE Govt 10.00	100	10.00	100.00	0.00
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CO0000000000	CO Govt 10.00	100	10.00	100.00	0.00
PE0000000000	PE Govt 10.00	100	10.00	100.00	0.00
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BO0000000000	BO Govt 10.00	100	10.00	100.00	0.00
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EC0000000000	EC Govt 10.00	100	10.00	100.00	0.00
VE0000000000	VE Govt 10.00	100	10.00	100.00	0.00
BO0000000000	BO Govt 10.00	100	10.00	100.00	0.00
CO0000000000	CO Govt 10.00	100	10.00	100.00	0.00
PE0000000000	PE Govt 10.00	1			

After H. M. Bateman.



The man who didn't deal with Kleinwort Grieveson.

Kleinwort Grieveson has become such a strong and broadly-based international investment house, it doesn't make a lot of sense to pass us by. See, at least, if we can be of service to you.

Before joining forces with Kleinwort Benson, Grieveson Grant was already among the City's top stockbrokers.

And now we at Kleinwort Grieveson have the backing of a major merchant bank. In fact, by almost any yardstick, they're the biggest of Britain's merchant banks.

So at Kleinwort Grieveson we aren't

short of financial muscle. We have the technology you need at the sharp end of the business. Our spanking new trading floor at 20 Fenchurch Street is something to behold. And we hope you will.

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So we're well able to take advantage of world-wide deregulation, including Big Bang.

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operating as an 'International Dealer' since then. Thus we're already used to the new environment.

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The bright people in the right places.

UK COMPANY NEWS

Bovis to expand US construction business

BY JANE RIPPETEAU

Bovis International, a subsidiary of Peninsula & Oriental Steam Navigation, and one of the UK's largest construction companies, is to significantly expand its activities in the US construction market via the acquisition of a 50 per cent stake in a top US construction management company.

The deal, sealed yesterday, is with Lehrer/McGovern, which in seven years has grown from two partners to a 1,000-person business with revenue of \$47m (\$22.5m) expected this year.

Lehrer/McGovern is privately owned and neither party would disclose the price of the purchase. The new group will be known as Lehrer/McGovern Bovis.

Lehrer/McGovern's has attracted prestige clients such as IBM, General Foods and AT & T, and high-profile projects such as the trading floor at the

New York Stock Exchange and restoration of the Statue of Liberty in New York harbour.

The company charges a fee to manage construction. It says current projects under management are worth \$500m.

Mr Frank Lampl, chairman of Bovis International and an executive director of P & O, said the deal "would further our management expertise worldwide."

"US investors like to see an American company they know," he added.

Bovis expects 1986 turnover to reach \$850m, with just 5 per cent of that from US operations, according to Mr Lampl. He said he hoped to double Lehrer/McGovern's revenues in four years.

Mr Lampl pointed out that there was a second key motive for the purchase: to acquire

American construction management techniques practised by Lehrer/McGovern.

These include so-called "fast-tracking," in which construction is begun before design is completed, and "value engineering," which calls for builders to work with architects and engineers during design.

Both techniques can dramatically reduce construction time and cost.

The two companies have worked together in London, with Lehrer/McGovern consulting on two Bovis projects—an apartment complex called Chelsea Harbour and Victoria Plaza.

Lehrer/McGovern earlier bought back a 25 per cent stake of its equity that it sold in 1984 to the Spanish construction company Entrecanales y Tavora.

See Fast-Track building, Page 15

Dixons retail sales buoyant

Dixons, the electrical retailing group which recently failed to take over Woolworth Holdings, reported a "highly satisfactory" start to the financial year at its annual meeting yesterday.

Mr Stanley Kalas, chairman, said sales were buoyant in the company's three retail chains, Dixons, Currys and Power City.

By Christmas, \$22m of the \$50m earmarked for shop expansion would have been spent.

"We are investing over £1m per week in the UK and will sustain this level throughout 1987," he said. "By the financial year end the group will have opened over 100 new stores."

Asked whether he planned to sell Dixons' 5 per cent holding in Woolworth, he said: "If Woolworth fulfil their promises this will be a good investment. If their promises are unsuccessful we will review the situation."

Further purchases as Bennett & Fountain calls for £4m

BY NIKKI TAIT

Bennett and Fountain, the acquisitive-hungry electrical appliance group, is planning two further purchases and asking shareholders for £4m via a one-for-three rights issue at 20.5p per share.

At the same time the group, with only its second set of figures since its launch on the USM last year, showed pre-tax profits of £1.31m for the 15 months ended June 30 1986, compared with £763,000 for the previous 15 months.

The two acquisitions are wholesaler Moss Electrical for £2.65m, and retailer Godwin for £580,000, both in cash.

Any comparison of Bennett's profit figures is confused by the change in year-end from March to June and the rapid rate of acquisitions—ten, including the latest pair, since the

company came to the USM in early-1985.

The original wholesaling business contributed around 40 per cent of this year's pre-tax figure, says Bennett. In operating profit terms, it showed a 20 per cent improvement, while sales lifted 25 per cent, suggesting some pressure on margins though the company attributes this to a shifting customer and product base.

Newer wholesale operations which have been bought in are generally lower margin, but Bennett's plan is to switch their business away from contractors and towards industrial users.

Once the Moss acquisition is complete, Bennett will have 25 wholesale branches, compared with seven last year. Moss itself made pre-tax profits of £600,000 in the year to ending February on sales of £8.5m.

The smaller retail side, which accounted for around 40 per cent of this year's sales, now consists of 18 stores compared with three a year ago. The loss-making Godwin—it made a deficit of £170,000 in the year to August—is being bought for its 6,000 sq ft freehold in Southampton, which produces annual sales of around £1.75m. Other parts of the business will be disposed of. Net asset backing is £445,000 and Bennett says there are useful tax losses.

The rights issue cash will be used to clear debt. Gearing is currently 50 per cent but should be back to zero after the £4m injection.

For shareholders, there is the first dividend since Bennett reversed into the old Rubber Estates of Ceylon shell—0.6p a share. The shares themselves eased 1p to 24½p yesterday.

Albert Fisher boosts US operations

By Nikki Tait

FAST-GROWING fruit and vegetable distributor, Albert Fisher, is giving a further boost to its US operations with the purchase of Miami-based Tavilla Group for up to \$13m (\$9m).

Tavilla, which made pre-tax profits of around \$370,000 on sales of \$22m in the six months to end-June, imports and distributes fresh fruit and vegetables through bases in Florida, mainly supplying supermarkets and institutional catering customers.

The vendors—Mr Paul Tavilla and three other directors who will remain with Fisher following the acquisition—have warranted profits of not less than \$300,000 for the full year.

Fisher is paying \$4m in cash at the outset, with a further \$500,000 in new ordinary shares. Another \$8.5m will be paid—just over \$5m of it in cash—if profits meet certain targets over the three to end-August 1989. Net assets of the Tavilla Group last June were \$900,000.

Once the acquisition is complete, Tavilla will be merged into Fisher's existing subsidiary in Miami, Carnival Holdings.

Around half Fisher's 1985-86 profits—estimated at around \$3m and due later this month—are expected to come from the US.

At the beginning of the year it paid up to \$20m for US disposable paper and plastics products maker ZIL.

Marlborough Tech

Marlborough Technical Management's offer for sale of 6,513,636 ordinary shares at 110p was oversubscribed. The basis of the allotment will be announced today.

Abaco chief's pay almost trebled

BY CHARLES BATHCHELOR

MR PETER GOLDIE, chief executive of Abaco Investments, the fast-growing financial services company, nearly trebled his income from \$64,259 to \$175,607 in the year ended June 1986.

Mr Goldie said more than half the total consisted of a bonus payment related to growth in earnings per share. In the previous year no bonus had been in operation.

Mr Goldie and his two fellow executives—directors, Mr Cameron Brown and Mr Rusty

Ashman, qualify for the payment once the increase in earnings per share exceeds 15 per cent in a year.

Pre-tax profits at Abaco rose from \$657,000 to £1.34m last year with earnings per share up from 0.7p to 1.14p. Abaco has expanded through a series of acquisitions of professional firms, including chartered surveyors, estate agents and insurance loss adjusters.

In a separate development yesterday British & Commonwealth Shipping, the financial

services and transport group controlled by the Cayzer family, announced it had bought a further 500,000 Abaco shares to take its holding to 27.59 per cent.

B&C has said it will not go above 29.5 per cent of Abaco, which would trigger a takeover bid. Mr Goldie said the B&C holding, and a further 6.02 per cent stake held by Canada Life Assurance, represented shares in firm hands owned by companies which would back the further expansion of Abaco.

Amari correction

THE FT regrets that in yesterday's report of Amari's results for the six months to June 30 it was incorrectly stated that these showed a 15 per cent fall in pre-tax profits.

Yesterday's report correctly gave the actual figures at £3.47m as against £3.67m in the same period last year, a fall of 5.45 per cent.

We accept that this puts a different complexion on Amari's pre-tax profit position and apologise unreservedly for this error.

Go-ahead for Hanson ADR's

The US Securities and Exchange Commission has approved Hanson Trust's application for listing American Depositary Receipts (ADR's) for trading in the US.

Sir Gordon White, chairman of Hanson's US subsidiary, Hanson Industries, said the ADR's, each representing five Hanson ordinary shares as traded on the London Stock Exchange, would become effective for dealing on the New York Stock Exchange within four weeks.

GIBBONS Lyons has acquired Eden Colours, inkmaker, in line with plans announced on joining the USM. Eden Colours based in Edenbridge, Kent, was founded by Wally Ball and Mario Vestuto.

AE share purchase ruling soon

The controversy surrounding AE's narrow escape from Turner and Newall's hostile bid is now expected to be ruled upon by the Takeover Panel early next week.

The Panel has been investigating the circumstances surrounding the acquisition of at least 10m AE shares in the final days of the bid which just denied Turner victory. The main question appears to be whether any of the parties acquiring those shares—had reimbursement agreements with AE and if so whether this relationship should have been declared.

Turner and Newall and its

merchant bank Rothschild have become increasingly optimistic, as the Panel inquiry has stretched beyond two weeks, that the ruling will find against AE and that Turner and Newall will be released to renew its bid.

Sir Francis Tombs, chairman of Turner, said yesterday: "The delay has certainly made us more hopeful."

Westminster Press sells two newspapers

Westminster Press, a subsidiary of the Pearson group, is to sell its Barrow News & Mail division, publishers of the North-Western Evening Mail and the South Cumbria Star, to Immaculate Limited.

The principal shareholder of the company which is to be renamed Barrow News & Mail Limited, is Mr Philip Davies, who recently resigned as chairman of Seneca, the Ladbroke subsidiary.

Westminster Press wishes to concentrate on non-suburban and daily newspaper centres, but Barrow, is below the minimum population level it is now seeking.

COMPANY NEWS IN BRIEF

RESULTS

TOYE & CO, producer of civil and military regalia, yesterday reported pre-tax profits of £241,000 against £237,000 for the first six months of 1986. Sales up nearly 5 per cent to £3.6m were achieved in part by reduced trading margins in an increasingly competitive market, the directors said.

BIO-ISOLATES (Holdings) losses were £397,900 for first half of 1986 before and after tax, compared with £158,200 and included a share of US joint venture loss of £114,000. Turnover amounted to £90,100 (£115,600). Loss per share was 3.48p (1.38p).

ARC, subsidiary of the Gold Fields Group, produced lower pre-tax profits of £73m (£79m) for the year ended June 30 1986 on turnover of £750m (£880m). Profits from both the UK aggregate division, at £42m, and trading operations in the US, at £70m, were at record levels, the directors stated. During the year £22m was invested for growth both through acquisition of reserves and plant development.

ALFRED WALKER, commercial property developer, incurred losses of £104,000 (profits £25,000) in year to end-April 1986. Dividend is being passed (0.75p). Loss per share 9.6p (earnings 0.6p). Extraordinary debit £122,000 (nil).

Turnover £260,000 (£334,000). Directors consider financial and cash resources satisfactory for present business.

BIOMECHANICS International, efficient treatment engineers, announced an interim operating loss of £72,712, reflecting a moderate improvement in the company's trading performance from last year's interim figure of £122,853, said the chairman.

BIDS AND DEALS

JEFFERSON SMURFIT, the Irish group and Morgan Stanley, the US investment bank, yesterday completed the acquisition of Container Corporation of America in a \$1.24bn deal which will transform Smurfit into the seventh or eighth biggest paper company in the world.

SUTER has disposed of its stake in BV Nederlandse Optische Enkelt and associated companies. Consideration, together with debt elimination, amounted to F1 5.85m (£1.78m).

BET, international services group, has acquired, for US\$8.5m (£5.9m) cash, Spalding Services based in Louisville, Kentucky. Turnover of Spalding is \$15m. The deal is through BET's industrial services company, Initial, which described the purchase as a significant

step in extending its coverage of the US eastern seaboard.

AEROSPACE ENGINEERING has contracted to purchase Greywater which is engaged in the manufacture of high precision tooling for the production of gas turbine blades and ceramic cores used in the aerospace industry. Initial consideration will be £2.5m cash, of which \$850,000 will come from a vendor placing.

CITY AND WESTMINSTER Finance

the corporate finance company which appears poised to launch a takeover bid for Bremner, the Glasgow store group, has bought a further 1.33 per cent stake in Bremner to take its holding to 28.96 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corr. of div. year	Total for year	Total last year
Abingworth	1.25	—	1.25	1.25	1.25
Amstrad	0.25	—	0.12*	0.35*	0.19*
A. Beckman	3.78	Jan 6	3.78	5.73	5.73
Bennett & Fountain	0.61	—	—	0.6	—
BEG	0.48	—	0.39	—	1.1
CI Group	0.43	Dec 5	0.4	—	0.9
Fosco Mines	2.95	—	2.95	—	9
MY Holdings	0.47	—	0.33	—	1
Renishaw	1.5	—	1.25	2.2	1.85
Synapse Comp. Servs.	2.2	Nov 26	0.75	2.2	0.75
Alfred Walker	nil	—	0.75	nil	0.75

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 15 months.

MC AMERICA

We've made a name in the USA

McCorquodale's most important overseas market is the USA, where we operate from 23 locations. Our major businesses in the USA are information publishing, utilising electronic data-based technology and the supply of cheques, credit cards and signature verification equipment to financial institutions.

Over 23% of our group profits in 1985 came from our American businesses.*

MC MCCRQUODALE
PLC

IRAN AIR

the shortest, most specialized and most convenient route for visiting the Middle East

Every week dozens of passenger and freight flights leave for the Middle East from the main European airports. For IRAN AIR this is the home route. Your business can not afford to be held up by problems of time or space. Just because of this IRAN AIR has developed over the years while working for you the kind of specialization which guarantees the most efficient network of connections and destinations. Wherever you are going in the Middle East IRAN AIR sees that you get there in the shortest possible time, because time is precious. And if you are going to the Far East, IRAN AIR will take you to Bombay, Beijing and Tokyo. IRAN AIR maintains its tradition for refined hospitality.

IRAN AIR, with its habitual courtesy, could become an indispensable part of your business success.



This announcement appears as a matter of record only.



AEGON N.V.

Dfls 100,000,000

5 3/4% Bearer Notes 1986 due October 1, 1991

Amsterdam-Rotterdam Bank N.V.

Algemene Bank Nederland N.V.

Morgan Bank Nederland N.V.

Bank Mees & Hope NV

Pierson, Helderling & Pierson N.V.

Nederlandsche Middenstandsbank nv

Rabobank Nederland

Van Hatten & Co. N.V.

Commerzbank Aktiengesellschaft

J. Henry Schroder Wagg & Co. Limited

Swiss Bank Corporation International Limited

Kredietbank International Group

Société Générale

Swiss Volksbank

October, 1986

This announcement appears as a matter of record only.



Chesterfield Properties PLC

£50,000,000

Sterling Commercial Paper Programme

Dealers

County NatWest Capital Markets Limited

S. G. Warburg & Co. Ltd.

October 1986

UK COMPANY NEWS

Cadbury stake in SA offshoot is reduced

By Jim Jones in Johannesburg and Lin Wood in London

Cadbury Schweppes is to reduce its interest in its South African subsidiary from 64.4 per cent to 53.1 per cent as a result of an acquisition. Cadbury Schweppes South Africa (Cadsweap) is to issue 1.12m new shares at an effective price of R30 each to acquire Bromor, food and fruit squashes company, increasing the number of its ordinary shares in issue to 6.52m.

Murray and Roberts, the diversified civil engineering group which controlled Bromor, said it preferred cash to new Cadsweap shares and sold the 17.6 per cent holding in the enlarged company to Anglovaal Industries, the industrial holding arm of the Anglovaal group. Last year Cadsweap earned a pre-tax profit of R6.9m (£1.1m) on a turnover of R133m. It paid a dividend of 64 cents from earnings of 107.2 cents a share. The directors estimated that the Bromor acquisition would increase earnings per share by about 10 per cent this financial year.

Cadbury Schweppes said in London that its equity reduction in the South African business was a consequence of the development of the South African company and not a consequence of it wishing to reduce its holding. The acquisition was in line with its strategy.

YEARLING bonds totalling £2.25m at 11 per cent, redeemable on 27 September 1987, have been issued by the following authorities: Eastbourne Borough Council £0.25m; Kirklees Metropolitan Borough Council £2m.

Foseco suffers all-round decline and falls £4.5m

ADVERSE CONDITIONS in North America together with an exceptional provision as a result of a major US customer filing for bankruptcy left first half profits of Foseco-Minsep some £4.5m lower at the pre-tax level.

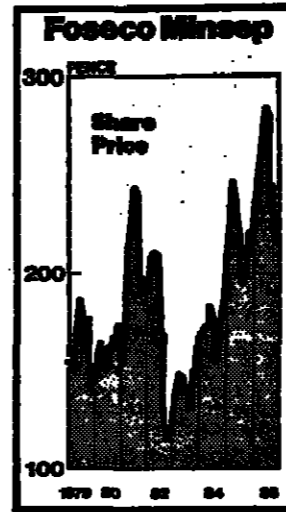
The directors said yesterday that demand patterns had become more irregular since the half year end and that levels of activity in industries served were not expected to show a significant improvement over the rest of the year.

They added, however, that the benefits from measures in hand would flow in 1987. Levels of activity during the first six months of 1986 in many major markets served by the group were generally lower, particularly in May and June—the group manufactures specialised chemical and other products, principally for the metallurgical, construction, engineering and mining industries.

Sales for the period fell from £294.74m to £276.53m and profits before tax from £17.71m to £13.23m. City analysts had been looking for figures of between £16m and £17m.

The interim dividend is being held at 2.55p net per share from earnings 4p lower at 7.5p. The directors said that in North America there were poorer performances from most operations.

They pointed out that the US steel industry was experiencing



very difficult conditions, highlighted by bankruptcy of LTV, (the country's second largest steel producer), which necessitated a bad debt charge of £1.6m above the line.

Also, supplies and credit were further limited to those customers with weak finances. Europe maintained continuing progress with notable performances in Germany, the UK and France.

Far East operations performed well, except in Japan where manufacturing industry had been affected by the strength of the yen.

Abingworth net asset value falls to 277p

UNCERTAINTIES IN the technology sector, particularly in the US, together with a weakening dollar against sterling, left the net asset value per share of Abingworth, venture capital investment concern, down from 298p to 277p over the year ended June 30 1986. The figure, however, had recovered to 284p by September 28.

Pre-tax profits for the period increased to £504,000, against £468,000. After a tax charge of £155,000 (£50,000 credit) earnings were given as 1.7p (2.4p) per 10p share, while the dividend is unchanged at 1.25p.

During the year US\$3.9m (£2.7m) was invested in nine companies in the US—over 70 per cent of the portfolio is located—and a further \$3.9m invested in 16 new companies and \$5.1m provided for 17 follow-on investments in the previous year.

ging for the last three years to keep its net asset value within striking distance of the 302p at the time the company came to the market in mid-1983. While this has been hard work, comparisons with the performance of competitors suggests that Abingworth has played the US high-technology market better than most. The hope, once again, is that the £20m worth of unlisted US stocks in the portfolio contains a few gems and that the new issue market across the Atlantic becomes more active soon. However, investors may well feel that the shares at 210p have not bottomed out yet and have proved rather too vulnerable to a rising discount to net asset value—yesterday this had widened to 26 per cent—for them to be an attractive buying proposition. Holders, however, could do worse than sit and wait until the dollar strengthens and or the technology sector comes back more firmly in to vogue on Wall Street.

comment

Abingworth has been struggling

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the companies are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY
Interim: Brown and Jackson, Cliff Oil, Ealing Electro-Optics, Empire Star, Ertel, Ibsen Johnson, Kalm, Lithuan, Albert Martin, NAW Computers, PLM, TR City of London Trust.
Finals: Galliford, S. R. Gent, HTV, Bejam, Britania Security, Canadian O'Shea Packing Ind, Ramus, Thorpe (F. W.).

Company	Interim	Final
Adams	Oct 15	Oct 15
Adams	Oct 15	Oct 15
Adams	Oct 15	Oct 15
Adams	Oct 15	Oct 15
Adams	Oct 15	Oct 15
Adams	Oct 15	Oct 15
Adams	Oct 15	Oct 15
Adams	Oct 15	Oct 15
Adams	Oct 15	Oct 15
Adams	Oct 15	Oct 15

NOTICE OF REDEMPTION DOW CHEMICAL OVERSEAS CAPITAL N.V.

KD5,000,000 11 1/4% GUARANTEED NOTES
November, 1986.

Redemption Date: 1st November, 1986

Redemption Price: 101% of Principal Amount
Payment Date: 3rd November, 1986

Notice is hereby given to the holders of the 11 1/4 per cent Guaranteed Notes due November 1, 1986 (the "Notes") of Dow Chemical Overseas Capital N.V. (the "Company") that pursuant to Condition 5(c) of the terms and conditions of the Notes the Company has elected to redeem all the outstanding Notes on November 1, 1986 (the "Redemption Date") at a redemption price of 101% of the principal amount thereof.

Payment of the Redemption Price, together with the interest due on 1st November, 1986 will be made on or after 3rd November, 1986 (the "Payment Date") upon presentation and surrender of the Notes, together with all Coupons appertaining thereto maturing after the Redemption Date at the offices of the Fiscal Agent or the Paying Agent set forth below.

The Notes will no longer be outstanding after the Redemption Date. The Redemption Price, together with the interest due on 1st November, 1986 will become due and payable on 3rd November, 1986.

Fiscal Agent:

Kuwait International Investment Co. S.A.K.
Gates No. 1-8, Al Saliha Commercial Complex
5th Floor, Block No. 1
P.O. Box 22792 Safat
13088 Kuwait

Paying Agent:

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels, Belgium



by
Kuwait International Investment Co. S.A.K.
(Fiscal Agent)

BSG Intl lifts interim profits to over £6m

BSG International, motor dealer and seat belt manufacturer, has produced record interim pre-tax profits of £6.05m. This is compared with £3.82m and is close to 1985's full year figure of £6.12m as forecast. Directors have declared an interim dividend of 0.48p (0.385p) and expect to recommend an increased final dividend for 1986—last year's was 0.715p.

After tax of £1.1m (£776,000) earnings were 3.25p (2.01p) per share.

Interest payments were higher than last year's at £3.3m (£1.67m), but in line with the second half of 1985, because of the cash element of the Adams and Gibson acquisition and increased working capital.

Trading profits amounted to £3.36m (£3.39m) and were split between vehicle distribution (£2.45m (£2.45m)) and manufacturing £4.91m (£3.91m).

The group's sale of two companies, three Vauxhall Bedford dealerships and a 20 per cent interest in American Sunrider Corporation, reduced its borrowings by about £6m.

The directors said that trading in July and August continued to be encouraging. BSG's shares finished the day up 1p at 49p.

CI profits rise to £0.5m midway

C.I. Group, engineer and tool distributor, formerly known as Cooper Industries, reported pre-tax profits for the six months to end-July 1986 up from \$473,000 to \$504,000. Turnover was down at \$12.29m, against \$13.84m, resulting from the sale of unprofitable businesses.

Earnings per 10p share came out at 1.58p (1.18p) and the interim dividend has been raised to 0.425p (0.4p).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (1980=100). All seasonally adjusted.

	Prod. vol.	Eng. output	Eng. order	Retail vol.	Retail value	Unempl.	Vacs.
1985							
1st qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
2nd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
3rd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
4th qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
1986							
1st qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
2nd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
3rd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
4th qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6

OUTPUT—By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (1980=100, monthly average).

	Consumer goods	Investment goods	Intermediate goods	Engineering output	Metal manufacture	Textiles	Housing starts
1985							
1st qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
2nd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
3rd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
4th qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
1986							
1st qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
2nd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
3rd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
4th qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6

EXTERNAL TRADE—Indices of export and import volume (1980=100); current balance; current balance (2m); oil balance (2m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Current balance	Oil balance	Terms of trade	Reserve US\$bn
1985						
1st qtr.	106.7	104.5	104	112.4	122.9	11.38
2nd qtr.	106.7	104.5	104	112.4	122.9	11.38
3rd qtr.	106.7	104.5	104	112.4	122.9	11.38
4th qtr.	106.7	104.5	104	112.4	122.9	11.38
1986						
1st qtr.	106.7	104.5	104	112.4	122.9	11.38
2nd qtr.	106.7	104.5	104	112.4	122.9	11.38
3rd qtr.	106.7	104.5	104	112.4	122.9	11.38
4th qtr.	106.7	104.5	104	112.4	122.9	11.38

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HFP, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0	M1	M3	Bank adv.	HFP	New credit	Base rate
1985							
1st qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
2nd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
3rd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
4th qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
1986							
1st qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
2nd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
3rd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
4th qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); RPI, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	Earnings	Basic materials	Wholesale prices	RPI	Food	Retail prices	Food prices
1985							
1st qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
2nd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
3rd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
4th qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
1986							
1st qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
2nd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
3rd qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6
4th qtr.	106.7	104.5	104	112.4	122.9	11.38	123.6

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

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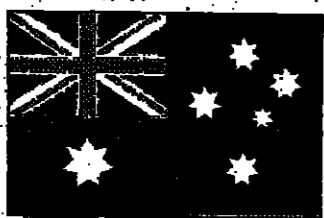
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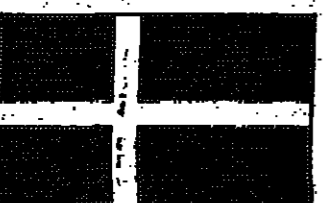
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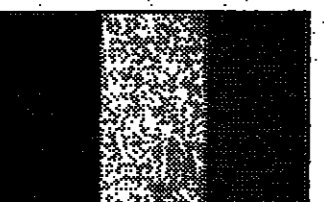
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CANADA



DENMARK



FRANCE



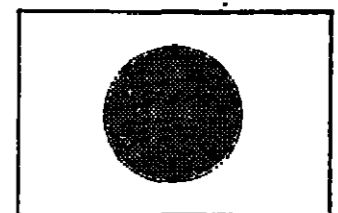
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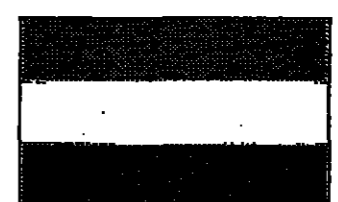
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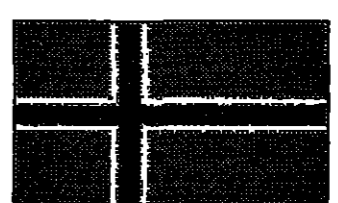
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JAPAN



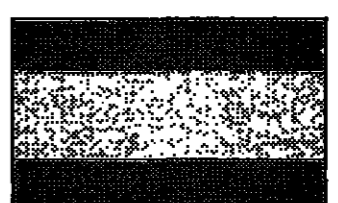
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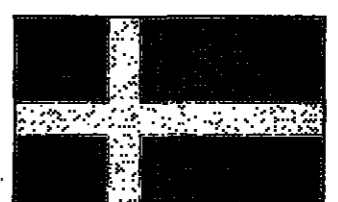
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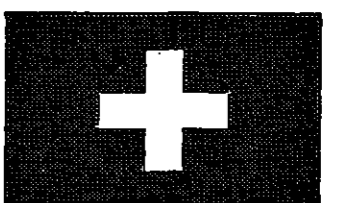
SINGAPORE



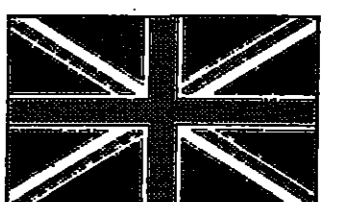
SPAIN



SWEDEN



SWITZERLAND



UNITED KINGDOM



UNITED STATES

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Schneider Mgmt Services (Jersey) Ltd

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COMMODITIES AND AGRICULTURE

Bank to sell Johnson Matthey metals traders

BY STEFAN WAGSTYL

THE Bank of England yesterday put up for sale two metals trading subsidiaries of the former Johnson Matthey Bankers group, which it rescued nearly two years ago.

Johnson Matthey Commodities Ltd, a ring-dealing (full) member of the London Metal Exchange, and Johnson Matthey Commodities Incorporated, which is based in New York and specialises in platinum, could together fetch about \$20m.

The two companies are all that the Bank of England still owns of JMB—recently renamed Minotaur Finance—except for the rump of JMB's commercial loan book. Most of JMB's banking and bullion business went to Westpac of Australia in April.

Minotaur Finance said yesterday that it had accepted a bid which has handled previous JMB sales, to sell the two metal trading companies.

Mr Charles Irbay, a Baring

director, said about a dozen possible purchasers including a number of mining, trading and metal fabricating companies had previously contacted the bank. The two Johnson Matthey companies could be sold separately, although the bank would prefer to sell them together.

Mr Irbay said the recent performance of both metals companies had been depressed by the recession in metals trading, the indirect impact of the tin crisis and their association with the Johnson Matthey Bankers group. But the companies could benefit from a dynamic new owner.

Johnson Matthey Commodities Ltd made a profit of about \$100,000 pre-tax in the year to the end of June, compared with \$1.5m pre-tax in the year to the end of March 1984, the last period before the parent company ran into trouble. The company has shareholders funds of \$9.1m and employs 43 people, in both the futures market and in physical trading.

With a bullion bank as a parent it was one of the larger companies involved in the LME silver market, but this has declined in importance as investor interest in the metal has faded. Johnson Matthey Commodities Incorporated, with a net worth of \$14.5m (£10m) employs a handful of people mainly trading platinum. It is a member of the New York Mercantile Exchange.

The London Metal Exchange will be hoping that the purchaser of Johnson Matthey Commodities will bring some new life into the market. The exchange was recently lifted by the news that Amari, Britain's largest independent aluminium and stainless steel stockholder, was set to buy the business of Bousquet Davis, the metal trading arm of Bousquet, the trading company. But the market's strength and liquidity have been sapped by the departure of several of its ring-dealing members in the past 18 months, many of them prompted by the tin crisis.

Australia warns US on sugar trade legislation

By Richard Hubbard in Canberra

THE RELEGATED Australian sugar industry is facing the loss of almost its entire export market to the US because of legislation before the American Congress which would change import prices to favour the Philippines, Caribbean countries and Ecuador, according to Mr John Dawkins, the Minister for Trade.

He said yesterday that the Australian Government would launch an action under the General Agreement on Tariffs and Trade (GATT) against the US if the legislation was enacted, demanding compensation for damages to the sugar industry.

The US was Australia's second largest export market by value for sugar in the last financial year, with exports worth \$586m (£37m).

The proposed legislation before the US Congress, which is in the form of an amendment to an anti-drug bill, could mean a drop of 123,000 tonnes in sugar exports to the US, leaving a severe blow to an already crippled industry.

Australian officials are surprised at the amendment, which appears to favour the three groups of countries because they are developing nations which are co-operating with the US on its anti-drug campaign.

The anti-drug bill, to which the amendment has been attached, eliminates a share of the sugar quota for countries which are not co-operating with the US in stamping out the drug trade.

Mr Dawkins said: "Australia has always believed that the US Government supported the allocation of quota shares on a fair and non-discriminatory basis in accordance with GATT principles."

ISRAELI exported polished diamonds worth a record \$1.066bn in the first nine months of 1986, the Israel Diamond Institute said in a report published yesterday, reports AP Dow Jones from Tel Aviv.

The sales were 19 per cent higher than the \$893m dollars for the first nine months of 1985.

The report noted that the diamond industry achieved a record September sales of \$185m, compared with \$117.8m in September 1985.

Mr Moshe Shinitzer, president of the Israel Diamond Exchange, said the sales growth was partly due to the dollar's weakening value, which has benefited buyers from the Far East and Europe.

Mr Shinitzer said large numbers of buyers from Hong Kong had visited Israel in September.

RIO TINTO Miners, the Spanish associate of Rio Tinto Zinc, the UK natural resources group, is to resume copper mine production at a reduced level. Mine output was suspended earlier this year when the company announced job cuts and a restructuring plan. The group is still under discussion with trade union leaders and the Spanish Government.

LONDON MARKETS

THIS WEEK'S heavy sell-off in the coffee futures market continued unabated yesterday when a \$125 fall in the November position took the decline on the week so far to \$276.50 a tonne. Technically based selling by big investment funds is reported to have dominated trading this week although many traders have been insisting that fundamental supply/demand factors remain bullish. There was talk in the market that some of yesterday's selling came from a producer, most probably Brazil, which was trying to clear the funds out of the market so that fund-managers could reassert themselves. On the London Metal Exchange copper values steadied somewhat in the late afternoon but still ended lower on the day. The cash Grade A price closed at \$22.75 a tonne, in the absence of any significant buying the LME copper market took its lead from New York, where some fairly aggressive liquidation was reported. LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Official closing (am): Cash	3 months	6 months
Grade A	\$22.75	\$22.75	\$22.75
Grade B	\$22.75	\$22.75	\$22.75

COPPER

	Official closing (am): Cash	3 months	6 months
Grade A	\$22.75	\$22.75	\$22.75
Grade B	\$22.75	\$22.75	\$22.75

LEAD

	Official closing (am): Cash	3 months	6 months
Grade A	\$22.75	\$22.75	\$22.75
Grade B	\$22.75	\$22.75	\$22.75

NICKEL

	Official closing (am): Cash	3 months	6 months
Grade A	\$22.75	\$22.75	\$22.75
Grade B	\$22.75	\$22.75	\$22.75

TIN

	Official closing (am): Cash	3 months	6 months
Grade A	\$22.75	\$22.75	\$22.75
Grade B	\$22.75	\$22.75	\$22.75

ZINC

	Official closing (am): Cash	3 months	6 months
Grade A	\$22.75	\$22.75	\$22.75
Grade B	\$22.75	\$22.75	\$22.75

GOLD

	Official closing (am): Cash	3 months	6 months
Grade A	\$22.75	\$22.75	\$22.75
Grade B	\$22.75	\$22.75	\$22.75

SILVER

	Official closing (am): Cash	3 months	6 months
Grade A	\$22.75	\$22.75	\$22.75
Grade B	\$22.75	\$22.75	\$22.75

MEAT

	Official closing (am): Cash	3 months	6 months
Grade A	\$22.75	\$22.75	\$22.75
Grade B	\$22.75	\$22.75	\$22.75

RUBBER

	Official closing (am): Cash	3 months	6 months
Grade A	\$22.75	\$22.75	\$22.75
Grade B	\$22.75	\$22.75	\$22.75

POTATOES

	Official closing (am): Cash	3 months	6 months
Grade A	\$22.75	\$22.75	\$22.75
Grade B	\$22.75	\$22.75	\$22.75

REUTERS INDICES

	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31
Dow Jones	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01

DOW JONES

	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31
Dow Jones	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01

MAIN PRICE CHANGES

	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31
Dow Jones	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01

METALS

	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31
Dow Jones	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01

COCOA

	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31
Dow Jones	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01

COFFEE

	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31
Dow Jones	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01

SOYABEAN MEAL

	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31
Dow Jones	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01

GRAINS

	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31
Dow Jones	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01

OIL

	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31
Dow Jones	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01	2897.01

GAS OIL

	Oct 1	Oct 2
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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound weaker

THERE WAS no sign of a recovery in US economic growth from the latest data, and the dollar had a generally weaker tone yesterday. The cut in the August trade deficit, announced Tuesday, was encouraging, but appeared to be the result of lower imports rather than better performance by US exports.

A rise of 1.1 per cent in US construction spending was surprising, but factory goods orders fell by 1.4 per cent, which was within the range of most expectations. Dealers were looking for guidance on the dollar from the address by Mr James Baker, US Treasury Secretary, to the meeting of the International Monetary Fund in Washington, but he said exchange rates should not be the sole instrument of adjustment, and once again urged other countries to boost economic growth.

The dollar fell to DM 2.0215 from DM 2.0270, to FF 6.62 from FF 6.645, to SF 1.9410 from SF 1.9440, and to ¥154.15 from ¥154.35.

On Bank of England figures the exchange rate index fell to 110.1 from 110.2.

STERLING—Trading range against the dollar in 1986 is 1.5355 to 1.5700. August average 1.5570. Exchange rate index fell 0.2 to 69.0, compared with 70.0 in the month. Sterling lost a little ground yesterday in nervous trading, as dealers remained uncertain about the ability of the UK authorities to maintain the current value of the currency without a rise in bank base rates. The Bank of England underlined the present level of

Oct. 1	Latest	Previous
2 spot	1.5620-1.5660	1.5620-1.5660
1 month	1.5640-1.5680	1.5640-1.5680
3 months	1.5660-1.5700	1.5660-1.5700
6 months	1.5680-1.5720	1.5680-1.5720

Oct. 1	Latest	Previous
2 spot	69.00-69.10	69.00-69.10
1 month	69.00-69.10	69.00-69.10
3 months	69.00-69.10	69.00-69.10
6 months	69.00-69.10	69.00-69.10

Oct. 1	Latest	Previous
2 spot	1.9410-1.9420	1.9410-1.9420
1 month	1.9410-1.9420	1.9410-1.9420
3 months	1.9410-1.9420	1.9410-1.9420
6 months	1.9410-1.9420	1.9410-1.9420

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	1.5355-1.5365	1.5355-1.5365
1 month	1.5355-1.5365	1.5355-1.5365
3 months	1.5355-1.5365	1.5355-1.5365
6 months	1.5355-1.5365	1.5355-1.5365

Oct. 1	Latest	Previous
2 spot	1.5355-1.5365	1.5355-1.5365
1 month	1.5355-1.5365	1.5355-1.5365
3 months	1.5355-1.5365	1.5355-1.5365
6 months	1.5355-1.5365	1.5355-1.5365

Oct. 1	Latest	Previous
2 spot	1.5355-1.5365	1.5355-1.5365
1 month	1.5355-1.5365	1.5355-1.5365
3 months	1.5355-1.5365	1.5355-1.5365
6 months	1.5355-1.5365	1.5355-1.5365

Oct. 1	Latest	Previous
2 spot	1.5355-1.5365	1.5355-1.5365
1 month	1.5355-1.5365	1.5355-1.5365
3 months	1.5355-1.5365	1.5355-1.5365
6 months	1.5355-1.5365	1.5355-1.5365

Oct. 1	Latest	Previous
2 spot	1.5355-1.5365	1.5355-1.5365
1 month	1.5355-1.5365	1.5355-1.5365
3 months	1.5355-1.5365	1.5355-1.5365
6 months	1.5355-1.5365	1.5355-1.5365

Oct. 1	Latest	Previous
2 spot	1.5355-1.5365	1.5355-1.5365
1 month	1.5355-1.5365	1.5355-1.5365
3 months	1.5355-1.5365	1.5355-1.5365
6 months	1.5355-1.5365	1.5355-1.5365

Oct. 1	Latest	Previous
2 spot	1.5355-1.5365	1.5355-1.5365
1 month	1.5355-1.5365	1.5355-1.5365
3 months	1.5355-1.5365	1.5355-1.5365
6 months	1.5355-1.5365	1.5355-1.5365

Oct. 1	Latest	Previous
2 spot	1.5355-1.5365	1.5355-1.5365
1 month	1.5355-1.5365	1.5355-1.5365
3 months	1.5355-1.5365	1.5355-1.5365
6 months	1.5355-1.5365	1.5355-1.5365

London interest rates by lending money to the discount houses at 10 per cent, but the market was generally nervous about future events. Ministers from the Organisation of Petroleum Exporting Countries met on Monday and UK money supply figures will be published on Tuesday. North Sea oil prices were slightly weaker yesterday, amid nervousness about the Opec meeting, while mid-September money supply growth has been forecast to be in the region of 2.5 to 3.0 per cent. The pound fell 20 points to £1.4451-1.4453 and declined to DM 2.0215 from DM 2.0270, to SF 1.9410 from SF 1.9440, and to ¥154.15 from ¥154.35.

YEN—Trading range against the dollar in 1986 is 153.75 to 155.25. August average 154.15. Exchange rate index fell 0.2 to 69.0, compared with 70.0 in the month. The yen showed little movement against the dollar yesterday in quiet trading. The US currency rose to ¥154.15 from ¥154.35, but was unchanged from the New York finish. Dealers were waiting for direction from New York, and were undecided about the direction of the dollar after the narrowing of the August US trade deficit.

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

open positions until the dollar showed a clear direction. Comments by Mr James Baker, US Treasury Secretary, before a meeting of the IMF, came too late to influence Frankfurt trading, and yesterday's US economic data had little impact. There was also no reaction to news that Mr Gerhard Stoltenberg, West German Finance Minister, said that present exchange rates will help reduce the trade imbalances between major industrial countries. The dollar closed at DM 2.0215 compared with DM 2.0270 previously.

JAPANESE YEN—Trading range against the dollar in 1986 is 153.75 to 155.25. August average 154.15. Exchange rate index fell 0.2 to 69.0, compared with 70.0 in the month. The yen showed little movement against the dollar yesterday in quiet trading. The US currency rose to ¥154.15 from ¥154.35, but was unchanged from the New York finish. Dealers were waiting for direction from New York, and were undecided about the direction of the dollar after the narrowing of the August US trade deficit.

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

FINANCIAL FUTURES

US bond prices firmer

US BOND futures were higher in the London International Financial Futures Exchange yesterday. Statistics on US factory goods orders and construction spending were largely ignored while news that the recent US meeting had not come to any firm agreement on interest rate and currency movements tended to inhibit any further rise.

The December price opened at 96.10 and touched a low of 96.05 before demand on short covering boosted values in London to 96.30. When Chicago opened the market later in the day sentiment con-

tinued in a bullish vein, triggering further short covering up to a high of 97.03. However there was little sustained interest at this level and sellers soon appeared to take the price back to a closing level of 96.31, still up from Tuesday's close of 95.12.

Three-month Euro-dollar deposits acted in much the same way and after opening at 94.03 for December delivery, initial optimism at breaking through 94.00 failed to attract any follow through demand and after touching 94.06, values were marked down as profit taking

developed. An attempt to revive the bullish trend after the start of trading in Chicago met with the same resistance and the price finished at 94.04.

Long gifts opened at 112.10 for December delivery and after touching 112.14, traders saw little reason to maintain these levels and prices fell quite sharply as a result. A lack of retail interest and only a little comfort in sterling's fairly steady trend ensured that the December price fell to a low of 110.11 before coming back to close at 110.31, still down from 111.22 on Tuesday.

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

Oct. 1	Latest	Previous
2 spot	154.15-154.25	154.15-154.25
1 month	154.15-154.25	154.15-154.25
3 months	154.15-154.25	154.15-154.25
6 months	154.15-154.25	154.15-154.25

March	89.02	—	89.00
Oct Volume	7,424	(10,905)	
previous day's open	13,177	(13,767)	
15-SE 100 INDEX			
15 yen full index point			
	Close	High	Low
Oct.	160.75	161.80	159.65
March	163.75	162.00	161.10
contract volume 577 (627)			
previous day's open int. 2,252 (2,977)			
ONE-MONTH EURO-DOLLAR			
low points of 100%			

BRITISH FUNDS										AMERICANS—Cont.										LONDON SHARE SERVICE										ENGINEERING—Continued										INDUSTRIALS—Continued																			
High	Low	Stock	Price	1/4	1/2	3/4	1	1 1/2	2	High	Low	Stock	Price	1/4	1/2	3/4	1	1 1/2	2	High	Low	Stock	Price	1/4	1/2	3/4	1	1 1/2	2	High	Low	Stock	Price	1/4	1/2	3/4	1	1 1/2	2	High	Low	Stock	Price	1/4	1/2	3/4	1	1 1/2	2										
"Shorts" (Live up to Five Years)										24 Chemical New York										BUILDING, TIMBER, ROADS—Cont.										DRAPERY & STORES—Cont.										ELECTRICALS										FOOD, GROCERIES, ETC.									
2000-2001										25 Chemical New York										2000-2001										2000-2001										2000-2001										2000-2001									
2001-2002										26 Chemical New York										2001-2002										2001-2002										2001-2002										2001-2002									
2002-2003										27 Chemical New York										2002-2003										2002-2003										2002-2003										2002-2003									
2003-2004										28 Chemical New York										2003-2004										2003-2004										2003-2004										2003-2004									
2004-2005										29 Chemical New York										2004-2005										2004-2005																													

کراختی اللہ

MINES—Continued

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CANADA

CANADA

Sales	Stock	High	Low	Clos	Chng	Sales	Stock	High	Low	Clos	Chng	Sales	Stock	High	Low	Clos	Chng
TORONTO																	
<i>Closing prices October 1</i>																	
3662	AMCA Int	514	45	49	+3	4100	Comterm	107	105	107	+2	26650	Laidlaw A	2159	153	153	+
303	Aberford	175	13	13	-15	4820	Con Bath A	524	254	254	-	117275	Lat B	2140	144	144	+
670	Albana Fr	3223	23	23	-	6000	Con Bath B	367	8	8	-	8500	Lehigh Int	35	465	5	-
303	Albana Fr	3223	23	23	-	700	Con Bath C	367	8	8	-	1000	Lehigh Int	35	465	5	-
23000	Albana Fr	3117	11	11	-15	700	Con Bath C	367	8	8	-	1100	Lumacina	5115	111	111	+
2100	Albana Fr	3117	11	11	-15	800	Con Bath C	367	8	8	-	4000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	900	Con Bath C	367	8	8	-	5000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	1000	Con Bath C	367	8	8	-	6000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	1100	Con Bath C	367	8	8	-	7000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	1200	Con Bath C	367	8	8	-	8000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	1300	Con Bath C	367	8	8	-	9000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	1400	Con Bath C	367	8	8	-	10000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	1500	Con Bath C	367	8	8	-	11000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	1600	Con Bath C	367	8	8	-	12000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	1700	Con Bath C	367	8	8	-	13000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	1800	Con Bath C	367	8	8	-	14000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	1900	Con Bath C	367	8	8	-	15000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	2000	Con Bath C	367	8	8	-	16000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	2100	Con Bath C	367	8	8	-	17000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	2200	Con Bath C	367	8	8	-	18000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	2300	Con Bath C	367	8	8	-	19000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	2400	Con Bath C	367	8	8	-	20000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	2500	Con Bath C	367	8	8	-	21000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	2600	Con Bath C	367	8	8	-	22000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	2700	Con Bath C	367	8	8	-	23000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	2800	Con Bath C	367	8	8	-	24000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	2900	Con Bath C	367	8	8	-	25000	MCC	2150	111	111	+
2100	Albana Fr	3117	11	11	-15	3000	Con Bath C	367	8	8	-						

Indices

[illegible]

Stock	Sales	High	Low	Last	Chg	Stock	Sales	High	Low	Last	Chg	Stock	Sales	High	Low	Last	Chg						
Continued from Page 41																							
Moltes	37	97	45	45	+	PostNet	31	155	15	15	-	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	23	11	54	43	-	PostNet	14	17	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	30	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75	75	+
Monroe	120	287	74	74	+	PostNet	14	12	424	424	+	Seapac	16	712	194	194	+	Swire	24	108	75		

RISES				
Tr 34% 1980	£874 +	%	Grand Cen Invs.	76 + 8
Tr 24 IL '20	£824 +	%	Ball Eng.	200 + 14
Allied-Lyons	308 + 8		Basson Trust	107 + 5
Appled Hol	248 + 30		Ballial Bar	283 + 13
Beecham	411 + 23		Hopkinsons	290 + 9
Booth Inds.	83 + 7		Jaguar	£23 + 17
Boots	227 + 11		LCA Hlgs	95 + 9
British Aero	461 + 21		McCorquodale	286 + 10
BP	678 + 10		Mollins	185 + 9
Canary Pet.	185 + 7		Plessey	180 + 12
Dixons Group	344 + 13		Polymark Int.	20 + 3%
England (JE)	57 + 7		Sandhurst Mkt	80 + 8
Eaton	250 + 10		Stone Int'l	170 + 6
Fisher (A)	185 + 6		Ultramar	158 + 10
Glaco	169 + 3			
			Redland	FALLS
				386 - 33

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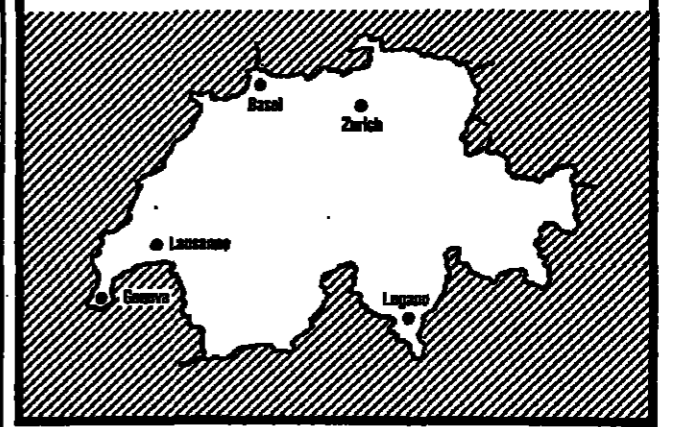
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12 Month	Stock	High	Low	Open	Close	Volume	12 Month	Stock	High	Low	Open	Close	Volume	12 Month	Stock	High	Low	Open	Close	Volume	12 Month	Stock	High	Low	Open	Close	Volume
12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100
12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100
12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100
12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100	12 Month	Black	1.00	0.75	0.80	0.85	100

Continued on Page 4

FINANCIAL TIMES SURVEY

UK Banking

The TSB flotation has blown away some dust and underlined the growing competition in the banking industry. Yet there is a need for caution. No one wants a loan crisis with Big Bang imminent.

Now it's the Big Five

THE TUMULTUOUS reception given to the launch of the Trustee Savings Bank last month has probably done more to thrust the UK banking industry before the British public's mind than any other event in recent years, and probably to good effect.

Just as the British Telecom flotation did wonders for public awareness of the economics of communications, the TSB has stirred up a whole range of issues to do with banking, a business normally regarded as far too dusty or technical for anybody but the practitioners and the specialist. The intensification of competition, the need for capital, the role of high street banks, to say nothing of the ownership of banks, and what they should do with their money — these are all themes that have had an airing.

The overall impression this has created is a reasonably positive one. The emergence of the TSB as a public company has underlined the growing competition that now exists in a business best known for its brief opening hours. From now on, it will be more accurate to talk of Britain's "Big Five" clearing banks, rather than just the Big Four, fighting for the domestic consumer and corporate market.

The enormous capital with which the TSB has been floated (over £2bn) is indicative of the huge resources which are now at the disposal of the UK banking industry. This should underpin their competitive power and give them the means to take advantage of the new markets that are opening up in other financial services, and in the City as a result of the Big Bang.

At the same time, the success

By David Lascelles
Banking Correspondent

of the TSB issue (even allowing for the fact that it was an investors' bargain) was a reassuring sign of confidence in banks. Interestingly, the shares of UK banks all benefited from the flotation when one might have expected them to weaken because of the demands being placed on that sector of the market by the TSB.

In fact, this must be one of those rare moments when the epithets "vigorous" and "healthy" can justly be applied to the UK banking industry. As fears about the Third World debt crisis have receded, and the UK economy has continued to grow, the profits of UK banks have advanced strongly to the point where the largest of them, National Westminster Bank, is expected to be the first UK bank to earn more than £1bn in profits this year.

NatWest also set a record in May with its £714m rights issue, the culmination of a string of capital-raising exercises by UK clearing and merchant banks which have resulted in stronger balance sheets, and brought new names, like Morgan Grenfell, to the market.

The growing sense of strength and purpose in UK banking was most strongly underlined by Lloyds Bank's surprise £1.3bn takeover bid for the Standard Chartered Bank during the summer. As it turned out, the bid was thwarted by Standard's wealthy allies in the Far East, but not before it had set a new milestone in British banking.

Apart from its sheer size, it was remarkable in that it was a hostile bid — and that the Bank of England allowed it to go ahead. Banks do not normally throw themselves into controversial battles like this, because of the possible damage that can do to customer confidence. But Lloyds, the smallest of the Big Four, has an ambitious and determined management that wants to expand the bank's territorial reach and pull it up in the world league tables. (Lloyds would have emerged as the UK's largest bank had the deal gone through.)

While this may not mean that UK banks are about to launch into an era of hostile takeovers, Lloyds has shown that that option is now open to them — and Lloyds itself is widely expected to renew its bid for Standard should the opportunity arise.

Some might think that banking times are even a bit too good. There has certainly been a mounting sense of unease in recent months about the rapid growth in bank lending to the personal sector, including the mortgage market, which has contributed the major portion of the banks' business. So attractive has this market been that foreign banks have also begun to attack it in a big way.

Only last month, Mr Robin Leigh-Pemberton, the Governor of the Bank of England, took the trouble to warn banks and building societies about the dangers of relaxing their lending standards in the drive to build up their loan books. Although payment arrears on mortgages are still low, they are rising, and many households must be highly vulnerable should

interest rates or a recession strike.

The growing uncertainty about the outlook on interest rates and foreign exchange are further reasons why senior bankers see a need for caution.

Although banks are reasonably well capitalised, they cannot afford to have a major loan crisis on their hands at this moment because of the huge demands being placed on bank resources and managements by the Big Bang, now only three weeks away.

Although the Big Bang is essentially about deregulating the Stock Exchange, it raises big strategic questions for banks as they adjust to an era when financing through securities markets is becoming more popular than finance in the form of bank loans.

The Big Four clearers are all

putting the finishing touches to their new investment banking operations—all of them substantial and capitalised to the tune of several hundred million pounds. In the case of NatWest, Barclays and Midland, these have been constructed round acquired stockbroking and jobbing firms. Lloyds has stuck doggedly to the view that such a business is best developed internally, without paying fancy prices for outside firms.

They are broadly similar; they combine securities issuing and trading with corporate finance, asset management and stockbroking services. The clearer will also be primary dealers in the gilt-edged market. Most of these activities are so novel for clearing banks that their ability to make a success of them, and to stick it out during the rough times that every one expects to follow Big Bang, will be good test of their mettle.

The merchant banks, on the other hand, are probably mentally better equipped to cope with the City's changes, though they lack the great capital resources of the clearers. The fact that Morgan Grenfell and Mercury International Group, two of the leading merchant banks, came to the markets for the first time this year to build up their funds is a sure sign that capital firepower is becoming as important as the "people" skills they have relied on in the past.

What is less clear at this stage is how far the clearing banks intend to pass on the benefits of Big Bang to their retail customers. They would seem well equipped to become the major purveyors of investment services in Britain's high streets with the growing fashion for financial supermarkets.

Only Barclays Bank has

announced any firm plans: it has created Barclaysshare, a new company to provide investment and broking services to the private individual—but only in a limited way to start with. The other clearers are preparing something similar—but all rather tentatively, because of the high cost of setting up services in their huge branch networks and uncertainty about the likely customer response.

Appropriately, given the riskier environment into which banks are moving, the Bank of England has begun to keep a much closer eye on their activities. Shortly after the Big Bang, a new Banking Bill will also be published by the Government to correct the regulatory shortcomings exposed by the two-year-old Johnson Matthey Bankers affair. The debate over its provisions should take place at an interesting time.



The chairmen of Britain's major banks, at a recent meeting of the Committee of London & Scottish Clearing Banks. Standing (left to right): Lord Barber, chairman of Standard Chartered; Sir Thomas Risk, Governor of the Bank of Scotland; Sir Timothy Bevan, chairman of Barclays; and Sir Michael Young-Herries, chairman of the Royal Bank of Scotland. Seated (left to right): Lord Boardman, chairman of the National Westminster Bank; Sir Donald Barron, chairman of the Midland Bank, and chairman of the committee; Sir Jeremy Morse, chairman of Lloyds Bank.

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UK Banking 2

The City Revolution

Defence with an eye to tradition

As companies raise more money through the securities markets, it makes sense for banks to move deeper into the business.

BANKS HAVE responded eagerly to the opportunity to enter the securities markets in London, a chance largely denied to them by legislation in the US and Japan, except in respect of specialised activities. Among the contenders are various distinct groups. There are the London merchant banks, aiming to develop their capital market connections; the big UK clearing banks are seeking to emulate the "universal banks" of the continent; a number of continental banks are building up their presence in what is by far Europe's most important international financial centre; and a selected number of American commercial banks are building a global investment banking capability.

To some extent, the motivation is defensive. Bank lending is sluggish in most corporate lending sectors, and a disappearing number of major companies can now borrow more cheaply than the banks themselves. Much more capital is now being raised by companies through the securities markets. So it makes sense for the banks to move more deeply into the securities business.

More positively, with deregulation in the air, and the barriers between different areas of the financial services sector tending to become blurred, the banks are intending to develop their traditional ranges of activities. This applies particularly to the clearing banks, which have been content in the past to cream off their share of commissions from securities transactions directed to Stock Exchange members' firms. But technology has now developed enough for them to hope to make money out of new private-investor dealing services, of which next year's promised "Barclayshare" will be just one example.

As some of the biggest and most powerful of the nation's financial institutions, the clearing banks are also keen to support the British presence in the new securities markets. Thus the Big Four are all joining the gilt-edged market as market makers, although their presence in equities will be more variable; Lloyds will be keeping out of market making in equities, at least for the time being.

The four clearers have all

adopted subtly different strategies. Barclays has been the most ambitious, spending well over £100m on two top stock market firms—a jobber and a broker—and setting them up as a £250m securities market unit, Barclays de Zoete Wedd.

National Westminster bought much more modestly, though in County Bank, its merchant banking offshoot, it has a rather more impressive home-grown base on which to graft its acquisitions. Midland has also been relatively cautious, merging Greenwell into Samuel Montagu. And Lloyds has opted for the much more patient, longer term strategy of growing its own stock market operations.

Such a frugal approach by Lloyds contrasts radically with the urgent global ambition shown by a number of the other leading banks at home and abroad.

Many of these see a temporary window, through which they need to leap in order to establish themselves as worldwide forces in the international securities markets, with, at the very least, a substantial presence in the three major global centres of London, Tokyo and New York.

Among those attempting to take this route are British merchant banks like Warburg, Kleinwort Benson and Morgan Grenfell, together with one or two continental banks including Union Bank of Switzerland.

Several top American banks, including Citicorp and Chase Manhattan, would also like to adopt this strategy, but are fundamentally handicapped by their inability to shake free of the constraints of the Glass-Steagall Act in the US, which separates commercial and investment banking.

The London merchant banks, in contrast, have the flexibility to be able to dispose of their US lending offshoots if these cause regulatory headaches—in the way that Schroders, for instance, has moved out of US commercial banking.

It is not so easy for the clearing banks. Barclays and NatWest, in particular, are actively exploring the scope they have for developing securities operations in New York in order to give a global service to their clients. It is no coincidence that NatWest is at the forefront of the current attempts by banks to persuade

congress to push back the Glass-Steagall frontiers.

At home, the move into the securities markets poses severe managerial and cultural problems for the banks. The hierarchical clearing banks, with their elaborate grades and scales, are faced with the need to accommodate entrepreneurial, volatile securities market professionals on vastly higher—if more variable—levels of remuneration.

The clearing banks are unaccustomed, bureaucratic and slow-moving, worlds away from the hire-and-fire, pay-by-results attitudes of the stock market firms. The banks' moves to increase their flexibility by adopting the more flexible of their investment banking subsidiaries have led to furious confrontations.

And there is bound to be discontent when senior clearing bank managers are often paid much less than securities traders in their twenties. The chairman of an American investment bank is accustomed to being paid less than many of his employees. But this is not so easily accepted by a top British clearing banker.

For the merchant banks, the culture clashes are less extreme, but if anything the management challenges are even greater. To go seriously into the securities markets, the merchant banks have had to raise large sums in capital and double, or more than double, their numbers of people.

Certainly, the clearers' rising fortunes suggest that the day when they did best at times of high interest rates is past. This is partly because their endowment of interest-free balances is shrinking, but partly too because bankers shrewdly made fixed rate loans when interest rates were high, and are now reaping substantial rewards from them.

These returns have to a great extent offset the higher costs banks have incurred through last year's decision to "free banking" for high street customers who stay in credit—all part of the battle for the personal banking market.

Recent months have also brought deep cuts in staff in the UK banking industry, notably Lloyds Bank's surprise £130m takeover bid for the Standard Chartered Bank.

Although the bid was ultimately thwarted by a group of wealthy Far East investors allied to Standard, it showed that possibilities for major structural change in the industry still exist. Lloyds, the smallest of the Big Four, demonstrated its ambition to become substantially larger and extend its worldwide reach, something that rather alarmed its competitors. Having shown its hand in this way, it seems unlikely that Lloyds' ambitions will quietly subside.

Mr Brian Pitman, the bank's determined chief executive, said after the bid failed: "We have the resources available to

employed. A bank like Morgan Grenfell has been forced out of its comfortable private corner, and has had to take on all the new responsibilities of a stock market listing.

Of course, there are a number of merchant banks, such as N.M. Rothschild, Baring Bros and Lazard Bros, which have not been willing to contemplate the changes of family control or the internal upheavals that would be required to become major securities market players, and they have opted for more modest niche strategies.

Traditionally, the merchant banks have been long on flair and connections and rather short on management expertise. The quantum leaps in size will therefore pose a severe test. With the arrival of Big Bang, the real time of trial is beginning, for the clearers as well as the merchant banks. During the next year it is likely to become evident which of the new British groups are going to succeed and

which are going to struggle to survive.

The pre-Big Bang realignment is likely to be followed by another reshuffle, as weak or unbalanced groups seek to merge urgently with stronger, or at any rate complementary, partners. And, whereas the first round of mergers allowed at least a limited amount of time for choice and consideration, the second round is bound to include some abrupt shotgun weddings.

In particular, several of the merchant banking groups may feel they need to tie up with clearing banks in order to gain the muscle to compete in the global securities markets.

Such mergers have been avoided so far among the leading players, because the loss of prestige and the risk of culture clashes would have been too severe. But in the testing time ahead, there may seem to be no alternative.

Barry Riley

Clearing Banks

Doing well despite competition

BARRING last-minute disasters, 1986 could turn out to be the UK's first billion-pound banking year.

National Westminster Bank, now firmly ensconced as the country's largest clearer, appears set to make pre-tax profits extending into ten digits this year.

This enormous figure—which will be matched by a mere handful of banks elsewhere in the world—may well be cause for celebration simply because of its size, though banks have learnt from bitter experience that profitability and popularity do not go hand in hand. But it also suggests that UK banks are doing rather well despite all the talk of fierce competition in the financial services business, and fears about the health of the world economy.

Collectively, the UK's Big Four clearers earned nearly £1.5bn before tax in the first half of this year, a sizeable 22.5 per cent increase on the first half of 1985. The bulk of this came from their operations on the UK market where banks boldly confronted the competition from other sources like building societies—and have even been turning the tables on them by making a huge success of their newly developed mortgage business.

In fact the private customer has been a better source of business for banks this year than industry, which suggests that their heavy high street branching operations are paying their way despite frequent criticism that they are too large. Retail borrowing has boomed while corporate loan demand has only inched ahead, many companies being flush with cash.

The better profits also came despite the banks' continuing caution over bad debts. In the UK, company bankruptcies are still sufficiently high to be a worry to the banks.

According to Sir Timothy Bevan, the chairman of Barclays Bank, there also looms the threat of more personal bankruptcies because of the huge volume of personal credit, including home loans, taken out

Profits of the major UK clearing banks: £m pre-tax.

	Half year	Full year
Barclays	1986 434	1985 403
Lloyds	335	264
Midland	195	151
National Westminster	482	361
Standard Chartered	131	134

Bank, recovering from the trauma of Crockett's attempt to buy National Bank, is looking healthier. The bank sold its troublesome California subsidiary in May for just over \$1bn, which gives its new chief executive Sir Kit McMahon a useful cash hoard to finance new activities.

But generally, Britain's clearing bankers are quite optimistic. Lord Boardman, the chairman of NatWest, said in announcing his bank's results in August: "As we look at the world, the combination of falling oil prices, lower inflation and decaying nominal interest rates has not yet worked through to create the expected economic growth. But I believe the world economy is set to strengthen towards the end of this year and through 1987." He expected to see further falls in the base rate before the year end.

Recent months have also brought deep cuts in staff in the UK banking industry, notably Lloyds Bank's surprise £130m takeover bid for the Standard Chartered Bank.

Although the bid was ultimately thwarted by a group of wealthy Far East investors allied to Standard, it showed that possibilities for major structural change in the industry still exist. Lloyds, the smallest of the Big Four, demonstrated its ambition to become substantially larger and extend its worldwide reach, something that rather alarmed its competitors. Having shown its hand in this way, it seems unlikely that Lloyds' ambitions will quietly subside.

Mr Brian Pitman, the bank's determined chief executive, said after the bid failed: "We have the resources available to

take advantage of acquisition opportunities whenever and wherever they occur." A renewed bid for Standard cannot be ruled out.

The structure is also being changed by the flotation of the Trustee Savings Bank whose market capitalisation will make it about the same size as the Midland Bank. Although the TSB has been flexing its muscles for some time, the flotation will add £1.27bn to its resources and enable it to go aggressively after both the upper end of the retail market and the business market, traditionally the best preserves of the established clearers.

Certainly, what with the need to defend their turf against the forthcoming challenge of the Big Bang, the clearers' main focus is on the UK rather than abroad. These banks have the opportunity to become the leading purveyors of financial services in the UK, and they may be expected to extend their diversification into new businesses. Lloyds has already gone into estate agency (a move since followed by Hambros, the merchant bank), the Royal Bank of Scotland is in insurance underwriting.

The whole retail dimension of Big Bang has also to be considered: will banks become the UK's major stockbrokers for the private investor as they are in some continental countries? Barclays has already announced plans to sell stock exchange services to individual clients, and its rivals are gearing themselves up too. Altogether, this is a time of rare opportunity for the clearers. The popular view that they are under siege from new non-banking competitors and will go the way of the dinosaurs could prove erroneous if they play their cards right. They have shown that they are a match for the building societies. The next year or two will show whether they can also take on their new investment banking competitors in the City of London.

David Lascelles

Supervision

A Bill to launch a new regime

ONE OF THE Government's first steps in the new parliament this winter is to publish a Banking Bill. This will lay the basis for a new supervisory regime for the UK banking system and should become law sometime next year.

The Banking Act will mark the culmination of a process lasting more than two years, and dating back to the 1984 Johnson Matthey Bankers crisis which dramatically pointed up weaknesses in the way the Bank of England oversees the management of UK banks.

These were principally the ease with which a bank could lend the equivalent of well over its entire capital to a single, doubtful borrower—and the slowness with which the Bank responded to what in retrospect seem rather obvious signs of imprudence. The failure of JMB's auditors to spot trouble was also an issue.

The bill, which will replace the 1979 Banking Act, will be based on the Banking White Paper published by the Government last December. Sources close to the drafting of the bill say it is unlikely to differ greatly from this document, though comments have been taken into account.

One of the central aims of the bill will be to establish the Bank of England as the supervisory authority (something which was never fully formalised in statute before) and strengthen its statutory powers to prevent institutions taking in deposits illegally.

The bill will also create the new criminal offence of deliberately misleading the Bank in prudential reports.

However, the bill will make it clear that the Bank is not

responsible for the soundness of the banking system as a whole, but that it will imply a blanket guarantee against bank failures. In practice, however, the Bank will have a strong moral obligation to prevent individual bank failures, much as before.

The main points of the bill will include:

- The establishment of a Board of Supervisors consisting of Bank officials and outsiders with the relevant expertise to advise Mr Robin Leigh-Pemberton, the Governor, on supervisory matters. The purpose of the board, which will report separately to the Treasury, is to make the Bank more accountable for the way it carries out its supervisory responsibilities.
- The abolition of the present two-tier system which distinguishes between recognised banks and licensed deposit-takers. Any licensed deposit-taker with assets of more than £2m will be able to call itself a bank. The established banks wanted this threshold raised to £10m to create more exclusivity, but their wishes have been rejected.
- Limitations on the amounts of money, expressed as a percentage of their capital, that banks can lend to a single customer. The Bank has set this limit at 25 per cent, with loans over 10 per cent requiring notification to the Bank. These figures will be in the bill.
- Specification of the role of auditors in the supervisory process. Earlier this year, Mr George Blunden, the Deputy Governor, listed some of the Bank's proposals, that deposit-taking institutions should commission reports from accountants on the adequacy of their

internal control and accounting systems; that auditors submit reports to the Bank confirming the accuracy of the information supplied by banks; and that tripartite meetings between the Bank, a bank and its auditors be held at least once a year.

On the sensitive issue of whether auditors should be allowed to approach the Bank on their own initiative when they were concerned about a bank, Mr Blunden said he thought this would be "exceptional".

He looked to the accountancy profession to come up with guidelines of its own, but if it did not the act would give the Bank powers to prescribe auditors' duties.

• Powers for the Bank to intervene in the merger or acquisition of a bank on prudential grounds.

• Enhancement of the deposit protection scheme.

In practice the Bank has already taken several strides towards introducing some of these measures and beefing up its supervisory role. It has increased its staff, and is visiting more banks on their premises to check up on their systems and management.

Mr Leigh-Pemberton has also appointed the outside members of his Supervisory Board. They are: Mr Andrew Caldecott, chairman of the M & G Group; Mr Peter Graham, senior deputy chairman of Standard Chartered Bank; Mr Alan Harcourt, partner of Peat Marwick Mitchell; Mr Nigel Robson, chairman of the Royal Trust Company of Canada; and Mr Deryk Vander Weyer, deputy chairman of British Telecom.

The board has begun to operate on a non-statutory basis until the bill is enacted.

The Bank has also published a number of papers on matters like liquidity, the supervision of its new securities activities, and bank capital, all of which are intended to flesh out the new regulatory regime.

Altogether, it amounts to a more elaborate system backed by stronger statutory powers. This is being viewed with mixed feelings in the UK banking industry: bankers want to be spared crises, but also regulatory hassle, and many of them have complained that UK banks will be unfairly handicapped compared to their foreign competitors.

For the Bank, on the other hand, the additional powers are welcome, but they also place on it a vastly greater responsibility to ensure that nothing goes wrong.

The bill is also coming at a time when the Bank is leading a wider move by international banking supervisors to tighten up banking standards, particularly on the matter of higher capital backing for some of the more innovative financing techniques now being used by banks.

Mr Blunden has made it clear to foreign banks operating in London that they will be expected to adhere to UK standards, whatever the situation on their domestic markets.

Altogether, the UK authorities determine to resist the argument that London will suffer as a financial centre if it is too tightly regulated. The message, instead, is that the enforcement of prudent practices will do just the opposite and foster greater confidence in the institutions which operate there.

David Lascelles

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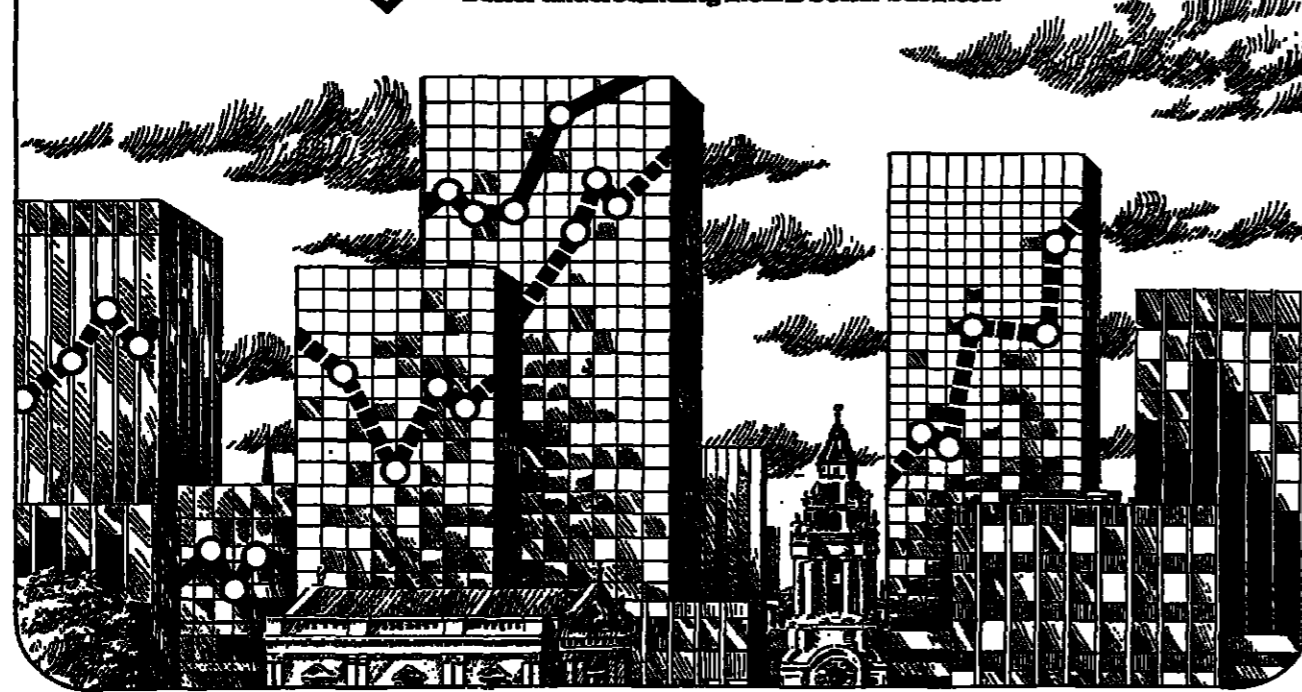
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THE CITY'S discount houses, long among its more privileged establishments, will also be among those that feel some of the strongest tremors from the Big Bang.

Already this small band of banks specialising in the money markets have seen their number reduced from 13 to eight in recent years as the Bank of England has slowly dismantled the protective barriers around them.

Of that number, four have been taken over by larger institutions (three of them foreign), leaving only four independent discount houses to fend for themselves. These are Gerrard & National Union Discount, Cater Allen and King & Shaxson.

Although the Bank will continue for the time being to deal with the discount houses exclusively as the intermediaries between itself and the UK banking system, the discount market can no longer be seen in isolation from the changes that are reshaping other UK financial markets, particularly the gilt market where banks are being

Discount houses

The competition will get tougher

admitted as primary dealers. Before long—possibly after a couple of years—it is expected that the Bank will change its dealing arrangements in a way that will expose the discount houses to much greater competition.

It has a number of options. It can admit new banks into the discount market—and several of them want to be able to deal directly in short-term money market instruments.

Alternatively, it can remove the barrier that separates the discount market from the gilt market, and allow banks to trade in the whole spectrum of money instruments from overnight deposits to 30-year govern-

ment bonds, as they do in the US, with access to the Bank of England.

Eventually, the Bank will probably take both steps, and effectively eliminate the discount market as a separate trading market altogether. However, the central bank will most likely preserve certain safeguards for its own purposes.

This is a sensitive issue for two reasons: one is that the Bank has traditionally preferred to deal with the UK banking system at a distance—and the discount houses provided a convenient buffer. This suggests that even if newcomers are admitted to the discount market, they may have to deal through specially established subsidiaries.

The other is that the Bank uses the discount market for its open market operations in support of monetary policy, and because of this it will only deal with approved houses.

Whatever happens, it means the discount houses will lose their monopoly—something for which they have been preparing for a number of years. All of them intend to remain dealers in the financial markets—for which they see themselves well-suited with their readiness to "take a punt," though they have been looking at new fields as well.

Gerrard, the largest, has been building up new businesses, like commodities broking, and intends to become a primary dealer in gilts. Earlier this year it raised £22m in its first rights issue to boost its resources to enter new markets.

Union, the number two, has gone into leasing, but decided against becoming a primary dealer because in its view the privileges outweighed the costs. It will, however, be active in the financial markets.

Cater's, which had a rights issue for £18m as well, will also be a gilt dealer, but has gone into new businesses like insurance. King & Shaxson, the smallest of the independents, intends to become a money broker in the gilt market.

The four houses which have been bought by larger groups are all being used by their parents as the short-term money market dealing arms of much larger integrated capital market operations.

These include: Alexander's (now part of the investment banking business being assembled by Mercantile House), Clive Discount (part of Prudential), the US investment bank, Secombe, Marshall & Campion (belonging to Citicorp), and Quin Cope (bought by Banque Paribas).

A pointer to the future was recently provided by the Midland Bank which announced that it is setting up a new money market trading operation in Greenwell Montagu, its investment banking subsidiary, with the intention of eventually seeking official discount house status for it. This would then complement the gilt operation which Midland is also launching.

David Lascelles

Finance houses

New leasing business suffers

OVER THE last few years the finance houses have enjoyed a boom in their leasing activities. However, following the phasing out of capital allowances in April, they now face a period of considerable challenge as tax-based leasing becomes less dominant in the overall asset-based finance market.

Instead of the generous accelerated system which had been in operation for well over a decade, 100 per cent allowances were gradually phased out over a two-year period. The process was completed on April 1 this year, when they were replaced by a 25 per cent writing-down allowance on purchases of new plant and machinery.

The full effects of the changes have already been felt as the volume of new leasing business underwritten by the finance houses has fallen by 11 per cent between the first and second quarters of this year.

The sector of activity hit hardest by the tax changes has been the finance houses' traditional leasing business—namely industrial plant and equipment. In the second quarter of this year, £196m of general plant and machinery was leased, compared with £225m in 1985, a drop of 12 per cent.

The fall in this sector can be explained partly by distortions in the level of activity before April. Many industrial and commercial companies accelerated their investment in the run-up

to the withdrawal of first-year allowances, resulting in an exceptional performance for leasing in 1985.

Nevertheless, the finance houses who write about 70 per cent of reported lease business, are now saying that the demand for leasing, which in 1985 accounted for 20 per cent of all UK investment in plant and equipment, will be reduced, thus sharpening competition in a smaller market.

To adapt to the changing conditions in the lease market, the finance houses will have to expand their skills, both in leasing and in other areas. One option which has emerged is to place more emphasis on certain areas of the existing lease market, such as sales-aid lease programmes in partnership with suppliers.

This type of approach, in which the manufacturer provides the customer with a package deal, including lease facilities, has been popular for some time in financing investments in office equipment and computers, telecommunications and a variety of other industrial and commercial plant for small and medium businesses.

Lombard North Central, which has a substantial involvement in the leasing of office equipment, has recently formed a joint venture with the Japanese leasing company Orient Leasing to expand their activities further in this area. The aim of the venture will be

the development of sales-aid leasing for Japanese-manufactured office automation equipment.

The partnership is an interesting example, as it highlights two significant trends for the future of UK leasing. First, the office equipment leasing sector has undergone above-average growth in the last few years, and now commands a substantial slice (£1.3bn) of the overall lease market.

A second, and more long-term, trend is that the Japanese company is bringing to the UK its extensive experience of running sales-aid programmes in the non-tax based leasing environment of Japan. This type of expertise will become increasingly valuable as the primary attraction of leasing, as a method of low-cost finance, gives way to the more traditional advantages of leasing, such as cash flow, structuring and flexibility.

Another distinct growth area, involving a variety of types of equipment and of the leases, is that of operating leases, where the lessor retains an interest in the residual value of the leased equipment. Operating lease programmes, which can include service and maintenance, have played a major part in the expansion of computer and vehicle leasing.

The company car fleet market is an important segment for the finance houses, accounting for just over 15 per cent of their

leasing business. Unlike other leased assets, vehicle leasing has not been affected by the latest change in capital allowances since first year allowances on cars were ended back in 1980. In the period April-June 1986, private and commercial vehicle leasing rose by 26 per cent.

The other alternative, for some finance houses, is to turn their attention instead to the flourishing consumer credit market. Consumer lending expanded by 38 per cent to £1,605m in the second quarter of this year, accounting for nearly half of all new credit (£3,209m) extended by members of the Finance Houses Association.

Major leasing companies, such as North West Securities, which is behind the Marks and Spencer charge card) sees considerable scope for expansion in the retail business.

An indication of the future potential of the retail business is seen in the fact that the Finance Houses Association now counts four credit card companies—St Michael Financial Services, House of Fraser, Club 24 and Credit & Data Marketing Services—as members. The immediate result of these additional members is a doubling of the reported volume of retail business in the last quarter alone.

Karen Floerssch

Financial Advisers in UK Public Takeovers: Jan-June 1986

Financial Advisers	No. of Bids No. of Defences Total Value £m
1. Morgan Grenfell	12 16 28 8,575
2. Kleinwort Benson	12 16 28 8,575
3. Hambros	9 4 15 7,087
4. Goldmans Sachs	1 4 5 6,617
5. Robert Fleming	2 2 4 5,185
6. W. M. Rothschilds	8 9 17 4,487
7. Charterhouse Bank	6 8 14 3,486
8. Samuel Montagu	5 1 6 3,309
9. Schroders	9 1 10 3,171
10. Moles Grawson	3 3 6 3,137
11. Heyes	3 5 8 2,437
12. Hill Samuel	10 10 20 1,945
13. Lazard Brothers	3 6 9 711
14. Barclays de Zoete Wedd	3 4 7 817
15. Barings Brothers	7 5 12 607
16. Barclay	5 2 7 449

Source: Acquisitions Monthly

Listed by value of takeovers

Merchant banks

Two good years, now the crunch

NEVER IN their long history have the British merchant banks faced such a challenge as they do now. The business they had shared between them is now being fought for by others. Not only the UK clearing banks, which have established themselves as the mainstay of the banking system, but also foreign-owned investment banks are trying to get involved.

At the same time, the merchant banks need for more capital to compete with these larger and richer newcomers has made it difficult for those that are still private to remain so. The bigger banks are raising capital through the markets—such as Morgan Grenfell's flotation this summer, and various banks' recourse to the floating rate note market. The smaller banks are often buying links with overseas groups by taking them in as shareholders.

The merchant banks are also fighting their way into new areas of business. From the traditional banking business through corporate finance and investment management, merchant banks are stretching out to securities trading, insurance broking, even estate agencies, in their search for new sources of profit.

At least the merchant banks have had a couple of excellent years before the crunch. The high level of corporate activity, mainly mergers and acquisitions work, but also new issues, has brought corporate finance fees rolling in. At the same time, and not unrelated, surging stock markets have given the investment management departments higher fees; while those banks which have moved into the securities business have made a lot of money too.

Merchant banks still dominate the corporate finance market, as the table of financial advisers in takeovers shows. But in fourth place, in the first half of 1986, is Goldman Sachs, one of the aggressive US investment banks that British bankers have come to fear. Goldman was involved in deals such as Woolworth's defence where no US interests were being served by its presence.

One of the features of takeovers today is the way that financial advisers are prepared to put their own capital behind bids by, for example, buying shares in the companies involved. Similarly, a trend towards leveraged buy-outs, such as the one proposed by the Australian group Elders for Allied-Lyons, requires the bidder's bank to assemble a syndicate of lenders. In that case Citicorp obliged, but the smaller UK banks might have found it more difficult.

Added to that, Bank of England rules on UK banks' ability to lend substantial proportions of their capital to one particular lender are tighter than for many foreign banks. That puts even more pressure on banks to raise capital. Morgan Grenfell's flotation brought in over £150m for the bank, but even that was not enough in the run up to Big Bang to fund a further £200m of primary capital was found through a perpetual floating rate note issue. Others, such as Rothschilds and S. G. Warburg, have also made FRN issues.

Other banks have opened up their shares, or moved in that direction. Barings Brothers still very private, changed from being a partnership to a company. Hambros coped with the departure of part of the family with a share restructuring. Brown Shipley now has Kredietbank as a 20 per cent shareholder, while half of Henry Ansbacher's shares are held by Groupe Bruxelles Lambert.

The merchant banks also need more capital for some of the newer ventures into which they have expanded. In the reshaping of the City, following the move from fixed to negotiated commissions and from single to dual capacity in the Stock Exchange, many of the banks are moving into the securities markets.

Most spectacular has been S. G. Warburg's alliance with Rowe & Pitman and Akroyd & Smithers to produce a major securities company, making markets in shares and becoming a primary dealer in the gilt-edged market. But many of the other banks have taken similar steps. Kleinwort Benson acquired Greaveson, Grant while Morgan Grenfell bought Pinchin Denney and Pamber & Boyle; and Hill Samuel took Wood Mackenzie. Robert Fleming has set up its own market-making operation in equities.

Such operations require a great deal of capital, much more than the old jobbing system took. Some of the primary dealers in gilt-edged stocks are putting £25m, or even £50m, of capital into the business to enable them to take large positions in stocks. Such is the expected level of competition in this new market that some of this capital could quickly be lost.

Some of the larger banks are confident that they can compete with the far better capitalised US and Japanese firms, especially as those may regard London as only a portion of their business. Others are preferring to look for specialist niches where they can avoid a head-on collision with such powerful rivals.

Hambros Bank, for instance, has largely avoided the Big Bang, taking an interest only through a minority stake in stockbrokers Strauss Turnbull. While maintaining a range of merchant banking activities, Hambros has thrown itself wholeheartedly into the estate agency business through a series of acquisitions. It now has a majority stake in Hambros Countrywide, and hopes to use this retail network to sell other services to house buyers such as mortgages and insurance.

Kleinwort Benson has, through the building of a swaps team, developed a niche within its more traditional banking business. This team, which works on arranging the exchange of obligations between borrowers, is one of the leading players in this huge global market.

Throughout, there is an emphasis on making more profits from fee income than from margins made on traditional lending. As competition has toughened in commercial banking, as well as in the securities markets, the returns available have narrowed sharply. The wealth of corporate finance business enjoyed by the merchant banks in the last couple of years has pushed their share ratings higher.

But now stock market analysts have become concerned that, if takeover activity falls, merchant bank's profits will dwindle. As a result, the sector has performed badly of late. Fuller disclosure of profits might help, and it is a move some banks are considering although many are loath to give up the privilege of keeping part of their earnings secret.

Whatever the future brings, the merchant banks themselves are confident that they will be able to adapt and survive as they have over the years.

Maggie Urry

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Foreign Banks

Leading players take the plunge

WITH LONDON'S Big Bang imminent, it is clear that the City is destined to play a leading role in the world-wide market in securities and other financial instruments, as it already does in the field of international banking. And this development can only enhance further its attraction to foreign banks as a base for their international activities.

Already a number of the leading players have plunged into the new-style securities market, either buying established stock market firms or building up their own in-house securities trading capacity. They include, for example, Chase Manhattan, Citicorp, Royal Bank of Canada, Security Pacific and Union Bank of Switzerland, all of which acquired Stock Exchange companies; as well as powerful groups such as Morgan Guaranty which have developed or bought their own talent.

Trading international securities, as one of three main legs in the global circuit, with New York and Tokyo, adds another element to London's draw for foreign banks. The City has a bigger representation of foreign banks than any other centre (though New York has lately shown signs of catching up). And, in spite of the costs of running a London operation and efforts by other centres to pull in international banking business, it appears likely to remain a dominant force.

The reasons are well-known. First, London's position puts it in a time zone conveniently overlapping with New York at one end of the day and the Middle East at the other. Its language is English, the language of international banking. It has a supervisory regime which, although new in the process of being reorganised both to deal with the results of the changes on the Stock Exchange and to update the banking legislation, is essentially sympathetic to innovation in the financial services sector and relatively informal. And it has a pool of experienced (and, these days, expensive) talent, both in dealing in financial instruments and in producing new ideas in the growing manager of acronyms financing techniques such as Citi, Tigers and Stags.

The progress of the City's foreign banking community has been charted now for 20 years by The Banker. It has, during that period, grown substantially. In 1967, there were 114 foreign banks with direct representation of one kind or another. By last year, the total had increased to just short of 400. The operations of the foreign banks range from small representative offices, designed mainly as contact points and listening posts in a leading financial centre, up to substantial branch operations with staffs of over 1,000. In a number of cases they also include subsidiaries, functioning as investment banks and, in the new environment, participating in the securities markets. They also include, for several US banks, their European headquarters.

The foreign banking community, moreover, has made a significant and growing impact on the domestic banking scene, and provides substantial competition for the UK-based banks in trading and lending. Together, the foreign banks and the (mainly foreign-owned) London-based consortium banks account for around a fifth of all lending by banks in Britain in sterling, and some 70 per cent of foreign currency advances.

The pattern of development of foreign banking representation has changed over the years. There have been two main waves, when numbers of new entrants came in. One was in the early 1970s, when the Eurocurrency markets were beginning their rapid growth and London was establishing its position as the main centre for Eurotrading. Then, in the late 1970s, there was a further substantial increase in numbers.

More recently, growth has slowed down. Last year, indeed, there was for the first time a net loss of foreign banks directly represented down from 403 to 398 (in addition, another 64 banks were represented through interests in one or other of the 25 consortium banks and joint ventures listed in The Banker).

The decline reflected a number of departures, including, most prominently, that of Wells Fargo, the US West Coast bank which had adopted a strategy of concentrating its international business on its Pacific Basin outlook. It also reflected a number of mergers, particularly among the regional banks in the United States, where groupings are being formed in areas such as the south east capable of challenging the strength of the big money centre banks like Citibank.

It is, however, to be expected that the growth in numbers will slow down. There is a limit to the number of banks likely to aspire to be significant participants in the international banking markets; the majority are already established in London.

UK Banking 4

London's foreign banking community

Year	Directly represented*	Indirectly represented*	Total
1967	114	—	114
1968	124	—	124
1969	138	—	138
1970	163	—	163
1971	176	25	201
1972	215	28	243
1973	232	35	267
1974	264	72	336
1975	263	72	335
1976	265	78	343
1977	300	55	355
1978	313	49	362
1979	330	59	389
1980	353	50	403
1981	353	45	411
1982	379	70	449
1983	391	69	460
1984	403	67	470
1985	399	64	463

*Directly represented through a representative office, branch, or subsidiary.

*Other banks indirectly represented through a stake in a joint venture or consortium bank.

Source: The Banker

What has been happening more recently, however, is that banks which had previously been predominantly domestic operations in their own countries have begun to develop international interests. They include specialised institutions—such as the agricultural banks Credit Agricole of France and Norinchukin Bank of Japan (both very large); smaller regional banks and a number of countries including, particularly, Japan; and savings banks. In part, it is a reflection of the increasing breakdown of traditional barriers between different types of institution.

A preliminary run-through of this year's list looks like showing a renewed growth in the foreign banking representation in London. There has been one "re-entry," Banque Worms of France, which sold out of its London operation after nationalisation, has bought back in through the acquisition of the London branch of American National Bank and Trust Co of Chicago (which earlier was bought by First Chicago, which has its own London branch). Fargro bought Crocker National Bank, which had its own representation in London, from Midland Bank; the Crocker office has been closed.

Other newcomers in the past year include: DVB Bank of the Netherlands; Spar-Casse-Bank; First Austrian Bank; Andelsbanken Danabank, from Denmark; Societe Internationale de Banque from France; Gibraltar and Iberian Bank; Bank of Crete; Etrufin Reserco, a joint representative for eight Italian regional savings banks; two Japanese banks, Daiwa and Nippon Trust and Banking; two from Saudi Arabia, Arab National Bank and Saudi British; and Banque Scandinave en Suisse.

Michael Blanden

UK Fixed interest

A shake-up in gilts

OF ALL London's financial markets, it is the market in Government "gilts" securities that will be the most profoundly affected by the deregulation of the Stock Exchange and the other changes associated with Big Bang.

The gilt-edged market is also the one in which banks, which include not only UK institutions but also several foreign, particularly US, players, will have the greatest involvement. In some respects, the character of the new market, modelled mainly on the US Treasury Bond market, will be moulded more by the banks who own more than all the leading participants than by the stockbroking and jobbing firms that have traditionally dominated the market.

The key role the gilts market plays in UK monetary policy, the increasing securitisation of debt on a global scale, and the need for large injections of capital into the new-style dual capacity gilt dealers, have ensured a dominant role for the international banking community.

The Bank of England, rather than the Stock Exchange, that will have the greatest influence over the regulation of the market. Each of the 27 primary dealing/market-making firms in the newly-structured market has had to submit detailed plans of its operations and the capital at its disposal to the Bank of England. The Bank will also closely monitor the risk exposure of each firm, and will require daily reports from each.

With the Stock Exchange, it has also set up a Central Gilt Office, as a clearing house for transactions in gilts. Nevertheless, the Bank has adopted a liberal attitude towards potential entrants. Any institution that has met its stringent prudential requirements will be allowed to participate. As a result, the number of market makers and the amount of capital behind them when the new market begins on October 27 is generally assumed to be excessive. One approved market maker, the Union Discount Company, dropped out of the race in July, saying that its capital in the market was too low to justify its presence.

The two leading market makers in the old gilt-edged market, Capel-Cure Myers, the stockbroking firm owned by the Australian-based ANZ banking group, recently announced it would become an agency broker in gilts, charging commission without ever acting as principal. It has challenged the conventional wisdom that all large investors will deal directly with the 27 market makers on a "net" basis, allowing the market makers to be remunerated out of the bid-offer spread rather than out of commission.

The poor quality of the price information that will become available in the gilts is expected to help the traditional agency brokers who offer to seek out the best bargain. The Stock Exchange's screen-based price information system will quote only mid-market prices quoted by market makers without showing the spread. Only the recognised primary dealers will be granted access to the screens of the specialist inter-dealer brokers which will display the prices they are quoting to match bargains between the primary dealers.

The main reason for their slowness in entering the gilts markets as primary dealers is fear that the Bank of England will not allow them to participate until UK firms are granted equal access to Tokyo's financial markets. As a result, their efforts have been focused on developing relationships and joint ventures with UK brokers. But, by next autumn, the Bank of England expects a second round of entrants and several Japanese firms are likely to be among them.

To a large extent, many of the new entrants are likely to be taking the places of other participants that have been forced to withdraw because of the intensity of the competition. The prospect of a continuing decline in Government debt as a proportion of GDP will exacerbate the pressures. Many City observers, including several who claim to be disinterested, foresee a blood-bath in which only a handful of participants survive and begin to make adequate returns on their capital.

The more sanguine view, shared by the Bank of England, is that, once dealing costs are slashed, turnover in the market is likely to increase, possibly as much as fourfold to bring it into line with the US Treasury Bond market. This should be sufficient to support eight to 10 primary dealers covering the entire market and taking large positions, with another 10 to 15 dealers developing specialist niches in terms of clientele and range of stocks.

The other element in the optimistic scenario is that the traditional dominance of gilts in the sterling fixed-interest debt market will decline. At present gilts account for about 85 per cent of all trades, despite the persistent efforts and exhortations of the Bank of England over the last five years to encourage the revival of the flourishing UK corporate debt market. The gilt-edged primary dealers participating in such a market would benefit from substantial economies of scale in particular there would be increased opportunities for arbitrage and for laying off risks between the markets.

Clive Wolman

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UK Banking 5

International banking

Selectivity, not size

BRITAIN'S BANKS have long had large international operations, mostly dating back to colonial times. But the character of this overseas business is undergoing a marked shift at the moment, reflecting the rapidly changing priorities of the world market.

Nothing exemplifies this more than the decision last February by the Midland Bank to sell Crocker National, the long-planned California bank which it bought five years ago in what is still the largest international banking acquisition ever seen—over \$1bn.

Although the sale was prompted by the disastrous nature of the acquisition, it also reflects a broader retreat by bankers from the notion that huge branch networks are necessary in foreign countries. Lloyds Bank, for example, sold its California bank at the same time. Other UK banks have also become much more selective about where they place branches abroad, particularly in the retail market.

They have been forced to accept that the management and financial resources needed to succeed in these operations are extremely often unacceptably large—other countries work differently, local customers may not want to do business with a foreign bank, unfamiliarity breeds risks.

Barclays, which has needed several years to get its US operations in order, took another knock earlier this year when it lost over £20m on its Italian operations and was forced to cut its staff there by half. Banks have also suffered losses in other markets like the Far East where the shipping and property industries have been badly hit and the Middle East where the region is in recession.

All this has added to the disillusionment many bankers have been feeling about lending abroad, particularly in the wake of the Third World debt crisis. The need to make provisions against doubtful foreign loans has eaten heavily into profits in recent years, particularly at Lloyds Bank which is most heavily exposed to Latin America. But that, at least, has given them a cushion against loss.

In the case of Standard Chartered and Barclays there has been the additional aggravation of South Africa where they have uncomfortably large operations. Both have taken steps in the last year or so to loosen their links with their South African affiliates in response to intensifying political pressures, and would probably wish eventually to pull out altogether if it could be done in a timely and profitable way. Bill Samuel, the merchant banking group which also has

close South African ties, is about to do something similar. However, the retreat from conventional overseas banking is only half the story. Midland, significantly, held on to Crocker's US capital markets operations when it sold the bank, and has now concentrated that activity in New York where it intends to build up its foreign exchange and government securities business.

All of this falls broadly under the umbrella of investment banking which has replaced conventional banking as the major thrust of the UK banks' overseas expansion. Instead of marking their foreign advance by opening bank branches, they now rate it more in terms of the number of foreign capital markets, stock exchanges and securities businesses to which they have gained access.

All the clearers, for example, are aiming to become securities dealers in the US and Japanese markets (under as local regulations permit). Midland is also a recognised dealer in US government stock, and Lloyds has applied to be one too. In Japan, NatWest has been granted a securities licence, and the others will follow. Many of them have established investment banking operations in countries like Germany, Switzerland, Hong Kong and Australia as well.

This new direction reflects the desire of banks to be able to serve the widest financial needs of their top rate, multinational clients. It also stems from the current fashion for finance based on securities rather than loans.

The banks' growing involvement with securities markets has been marked, in addition, by their interest in having their own shares listed on foreign stock exchanges. Barclays has led the way here, becoming last month the first UK bank to have listings in the world's three major financial centres, New York, London and Tokyo. Other banks have indicated similar intentions, and NatWest is to sell \$131m worth of shares to US investors.

The idea is to broaden the bank's investor base and promote their names in wider financial markets. But the moves also illustrate the manner in which

banks are now competing across borders for equity investment, and having to match foreign banks in performance.

Although these new trends are getting most of the publicity, the traditional banking side still forms the bedrock of the clearers' overseas activities.

After a sticky start, for example, NatWest's US operations, which include a sizeable branch network in New York, are now making a healthy return, and NatWest has broken new ground in countries like Spain, where it bought a share in a local bank, and South Korea where it has opened a representative office.

Lloyds Bank's unsuccessful \$1.5bn bid for Standard Chartered was also intended to develop solid basic banking services like trade finance and letters of credit, and give Lloyds a foothold in a wide number of new markets, notably in the Asia and Pacific region. Lloyds was particularly keen to be able to finance trade deals between non-UK partners, figuring that its own strength in Europe and Latin America would complement Standard's in the Pacific rim, including the US West Coast.

Even though that plan has been thwarted, Lloyds has merged its international arm, Lloyds Bank International, into the main body of the bank to reduce duplication, and create an integrated balance sheet which is more efficient for tax and funding purposes and enables the group as a whole to make larger loans. The savings were said by Lloyds to have been a major factor behind the more than doubling of its foreign earnings in the first part of this year.

Clearly, UK banks are not retreating from the overseas markets as a whole. But times are changing—and getting rougher. The mounting challenge from Japanese banks is another worry, particularly if, as Sir Timothy Bevan the chairman of Barclays claims, they are "dumping" their services on world markets.

But all the big clearers are conscious of the fact that world financial markets are becoming dominated by a few all-round institutions, and they want to be among them.

David Lascelles

UK clearing banks' international profits: £m pre-tax (Figures in parentheses are % of total profits).

	1985	1984	1983
Barclays	105 (24)	97 (29)	201 (24)
Lloyds	117 (33)	87 (34)	151 (27)
Midland	37 (19)	26 (17)	43 (13)
NatWest	116 (24)	111 (31)	181 (23)

Retail banking

Escalating the war

"FINANCIAL insanity—that's what it is." So said the finance general manager of one of the UK's biggest building societies, in a reference to some of the retail banking deals now on offer in British high streets.

He was alluding—albeit with a heavy dose of hyperbole—to the high interest rates now being paid on some of the savers' accounts. Rates, he pointed out, which can now leave very little profit margin from mortgage lending.

His comment gave a taste, however, of the heady atmosphere of rapid innovation—sometimes very costly to the participants—as building societies and the clearing banks strive to expand market-share in the retail savings and loans market. National Westminster, for instance, launched only last month Credit Zone, a new simplified overdraft facility allowing credit-worthy customers easier access to an overdraft up to a pre-arranged limit.

This is even before the impact of the TSB's £1.5bn flotation—which will leave it ample funds to spend on expanding its branch network, acquiring estate agency chains and insurance brokers and thus pushing deeper into the life assurance, unit trust and mortgage markets where it has already made big inroads.

Insanity is, of course, far too strong a word for the speed of new high street banking developments. But the last 18 months have seen a sharp escalation in the war for retail money. The Big Four clearers in particular, one suspects, must now be wondering what more they can do to maintain and strengthen their position.

In the past year, for instance, the rest of the Big Four have sacrificed commission income, by abolishing charges on in-current credit accounts—following the path taken by Midland in December 1984. This move alone may be costing the Big Four £20m annually, according to estimates produced by banking analysts at Quilter Godson, the stockbroking firm.

An index of its damaging effects was that National Westminster, Lloyds and Barclays were initially so reluctant to copy Midland's move. They had to do so, observers argue, because of Midland's apparent big successes in picking up some 450,000 new current accounts in 1985.

Some other recent competitive moves have, however, been

eminently sensible—because they could help restore some of the fee and commission income that has been lost. Lloyds, for instance, announced in mid-September that it was to offer a new Sharedeal stockbroking service for customers, charging fixed rate commissions, and allowing participants to open an instant access high-interest cheque account. It was following in the footsteps of Barclays and Midland.

Such moves underline the trend over the past year for the clearers to stress the quality and breadth of their services, and to make a very clear pitch towards the top end of the market—the high net worth individual, or the young professional with strong earnings potential.

Here, a notable example was Lloyds asset management service, launched earlier this year to offer a combined high interest cheque account and investment management service akin to services already offered by merchant banks to affluent individuals.

Most noticeable of all, however, was Barclays' launch this spring, amid heavy television advertising, of its Customer Service Project. It includes big investment in staff training to enable the delivery of personal services, such as stockbroking.

Closely involved in this will be Barclays' share. A retail broking operation, it shows the advantages banks can draw from their role in the Big Bang changes in London's capital markets, and from the broader movement towards wider share ownership.

It will be able to draw on the resources of Barclays de Zoete Wedd, Barclays securities house, and offer customers investment advice and dealing services. In turn, it will be well-placed to offer administration of Personal Equity Plans in 1987.

Again, Barclays' customer service project will involve heavy spending on branch refurbishment—where the clearers have, in the past, perhaps fallen behind the building societies in projecting an attractive image to the public. Midland, for instance, is to spend £200m over the next three years on renovating 300 branches to adopt a lively, open-plan look adapted from successful high street retailers. This kind of marketing effort is possible—and worthwhile—because of the big profits the clearers have been drawing from retail banking. NatWest,

for instance, reported 1985 interim pre-tax profits up by 34 per cent to £484m—of which about 60 per cent came from UK domestic banking. But much of this profit apparently depends on the continuation of high levels of borrowing from UK consumers and here, Sir Timothy Bevan, chairman of Barclays, has already sounded a warning note.

Barclays, he said, in announcing the bank's half-yearly results this summer, had taken a strategic decision to exercise restraint in consumer lending, because of the danger of worsening debt experience.

The bank's profits apparently suffered in consequence: UK lending was up 2 per cent, and group pre-tax profits were up just 8 per cent—way short of the 37-34 per cent increase reported by the other three big clearers.

Sir Timothy drew particular attention to the mortgage market, where he said, "there is an unwelcome relaxation of lending standards. Here, in fact, the banks have been competing hard this year—but within limits."

This spring, for instance, Midland swiftly lent £200m in mortgages under its highly competitive Homeowner Plus scheme, which offered a 14 per cent reduction in interest rates for the mortgage's first year, plus money towards solicitors' fees. But this package was offered only for three months, suggesting a carefully planned strategy rather than a headlong rush for market share.

More to the point, Barclays' results appeared to demonstrate just how vulnerable banks' profits are to a slackening of consumer lending, whether through their own branches, or their finance house and credit card subsidiaries. Such a slackening could occur because of bad debt experience—or a recognition by consumers of the very high current cost of bank credit.

Personal overdrafts, for instance, currently cost about three to five percentage points over the bank base rate, and credit cards 12 to 18 percentage points over base rates. If highly-gear consumers became as sensitive to the price of borrowing as they are to marginal variations in building society savers' rates, the retail banking market could face a further competitive shake-up.

Nick Bunker

Commercial paper

Caution at the top end

THE NEW market in sterling commercial paper has got off to a relatively slow start despite the fanfares that accompanied its launch in May. Although there is evidence of fairly strong demand among investors for sterling short-term money market instruments, there has been a relative dearth of good quality corporations willing to tap the market.

This is all in striking contrast to the rather overblown propaganda put out by investment and merchant bankers when the market opened. This suggested that the development of a commercial paper market could radically transform the face of British banking.

At a stroke a new borrowing opportunity had been created which would offer cheap finance to companies and wean them away from their traditional reliance on commercial bank overdraft facilities.

Commercial paper represents short-term negotiable borrowing by companies that can be sold directly to investors in the money market, thus bypassing the banking system.

Yet companies, particularly those at the very top end of the UK credit spectrum, have been slow to catch on. There are three main reasons for this:

• Many corporate treasurers remain to be convinced that the cost savings of borrowing in the commercial paper market are worth the effort.

Though it costs little to set up a programme, the actual running of it does require investment in management time and expertise. Meanwhile there are cheap alternatives such as the well-established market in UK bankers' acceptances.

• The legal framework for the market is very intricate and will remain so until the Financial Services Bill is passed.

This will incorporate an amendment allowing companies to issue commercial paper in the UK instead of taking the cumbersome route of setting up an offshore financing vehicle. At present it appears possible for direct selling to take place out of the UK, but only on a very restrictive basis.

• The UK authorities have put fairly stringent eligibility conditions on companies wishing to tap the market.

Unlike in the US, sovereign and public sector entities may not borrow, nor may companies listed on the London Stock Exchange and they must have net assets of at least £50m. Banks which have been large borrowers in the US market may not raise funds in this way in the UK.

Many bankers believe that this approach was deliberately chosen by the Bank of England in order to ensure a relatively cautious opening to the market. The expectation is that its strict rules on eligibility will be relaxed eventually once the market has found its feet.

Meanwhile the Bank has been in a strong position to limit the flow of paper on to the market because of the stranglehold it exercises over the competing market in bankers' acceptances.

Because of its past policy of overfunding in the gilt-edged market the Bank has built up a large stock of bankers' acceptances, known in the jargon as the bill mountain. These holdings have depressed the yields on bankers' acceptances, making them a particularly attractive borrowing vehicle.

Now the overfunding policy has been changed, but the speed with which the bill mountain is unwound will affect the attractions to borrowers of the commercial paper market.

This is not to say that borrowers have shunned the market altogether. Trading opened in May in a blaze of publicity with Hawley Group, Redland and the US transport concern, PHS Group all selling paper.

Since then there has been a fairly steady announcement of programmes by a range of corporations—mostly those in the services sector which are not allowed to raise money in the bill market because they do not engage in physical trade.

Now bankers are looking to the passage of the Financial Services Bill to give a further boost to the market. Expectations of its potential have been scaled down somewhat since dealing started in May, but many believe that sterling commercial paper will in due course become an important addition to the range of financial services offered in the City.

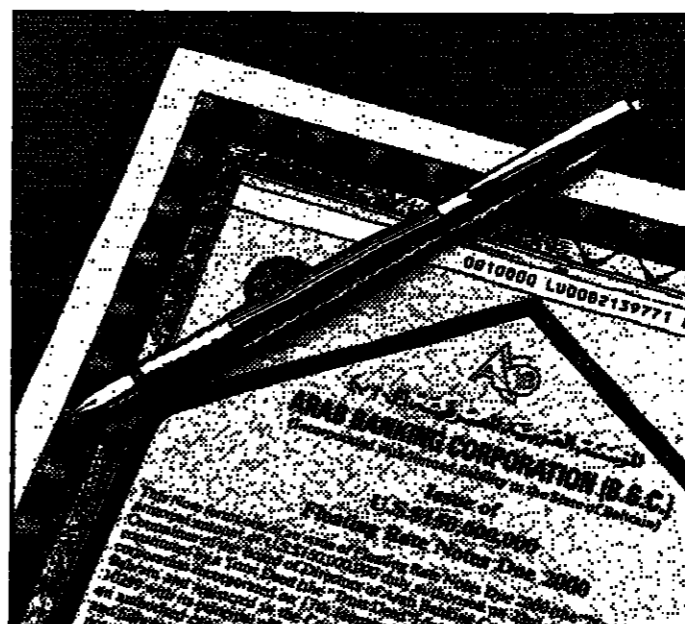
The launch of a programme by one or more really big chip companies would also help, they say, and this should only be a matter of time.

What is also clear is that sterling commercial paper is likely to remain a very competitive market. It is traditionally a high volume, low margin business and the giant US market sustains only about half a dozen really sizeable dealers.

That means that at least some of the houses now jockeying for market share in London are bound to end up disappointed.

Peter Montagnon

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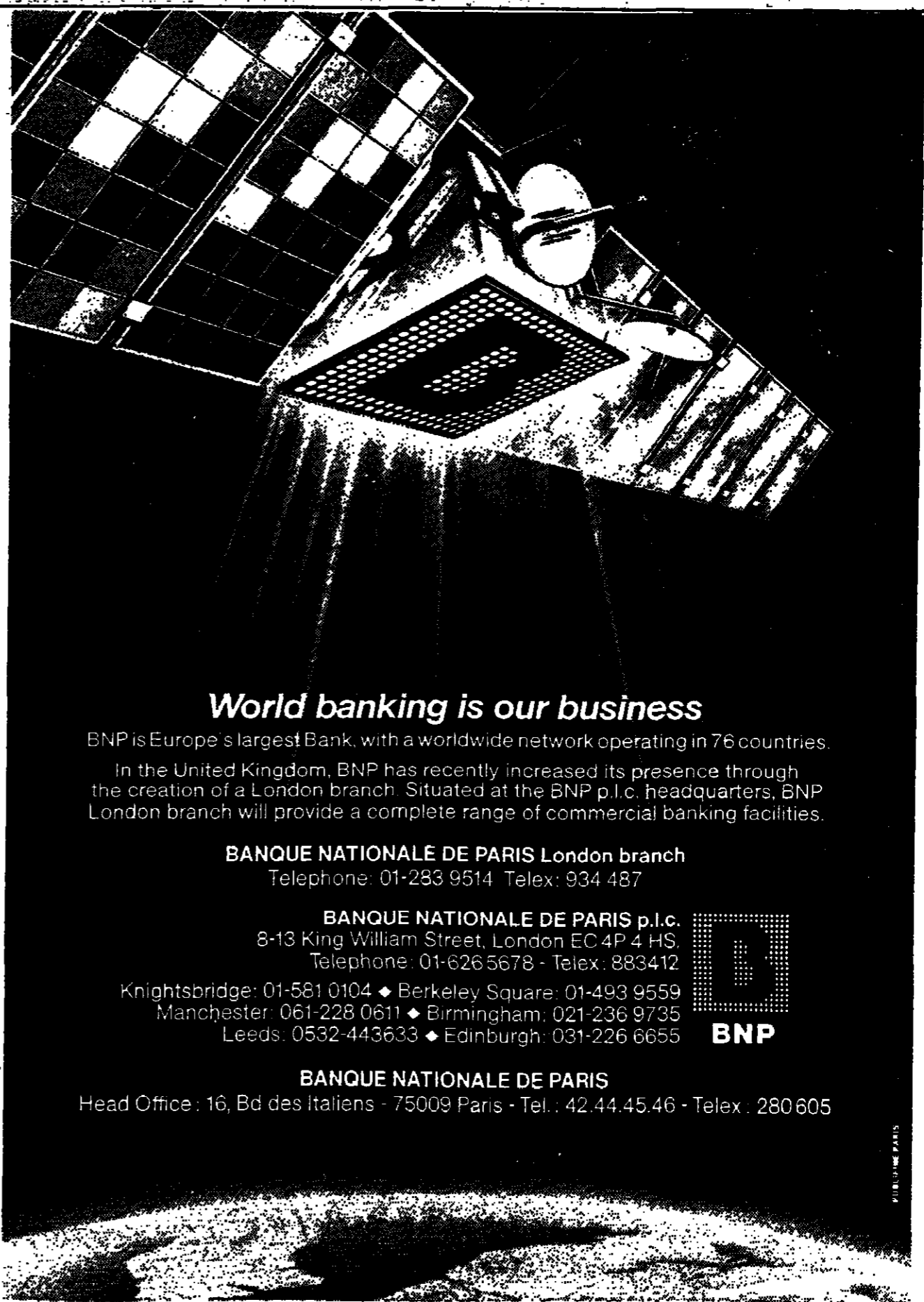
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UK Banking 6

Small Businesses

Sharper eye kept on progress

SMALL BUSINESSES are big business for Britain's banks. They always have been. After all, most British businesses are small. There are about 1.5m of them—turning over less than £15m, and each has to have at least one bank account.

So, although the small business sector has assumed a higher profile as the Government has recognised it as one of the few sources of new jobs, its relations with the banks have in recent years been more about

and the Midland. They grew out of amalgamations of many smaller regional-based banks which were the main providers of working capital for local businesses, particularly in Britain's northern industrial heartland.

Both have more branches than their competitors, and most of these branches, especially outside the big city centres, have a history of local lending and a long-established network of social and professional contacts in their immediate markets. Inevitably, they have more small business customers, though their rivals can also

point to regional pockets where, for similar historical reasons, they are strongest.

Mr Ron Farrar, who heads Barclays operations in Yorkshire and Humberside, believes that, in spite of the march of modern marketing and what appears to many small business owners to be an increasingly time-consuming demand by the bank for more and more financial information, the old face-to-face relationship between bank manager and small business customer remains the crux of their mutual success.

Why this should be so is summed up by Mr Andrew Lord, the head of NatWest's small business section in London: "Lending is a matter of judgment. We can't avoid that. The more hard information we have, the better. But at the end of the day, the best bank to have is one that knows you, knows your track record and understands what you are trying to do."

That said, however, important changes have been taking place. It is easy to see why when the monies involved are taken into account. The sums advanced have been getting much bigger in recent years. NatWest, for example, lends £50m a month under its business development loan scheme to an average of 3,500 customers.

Individuals and small companies have been going deeper and deeper into debt with the banks. This has created its own demand for better standards of management in small business, and a more professional and co-ordinated approach by the banks.

As a general rule, the banks provide the working capital for start-up and development, to the point where a business goes to the venture capital or stock markets to proceed further. Most businesses never take that plunge, so that long-term bank loans remain the driving force of their balance sheets. The banks' view of this has been growing increasingly longer-term as the 1980s have progressed.

It is now possible to borrow up to £250,000 from most banks, but has now been dropped to £5 per cent. The term of the loan may run to 20 years. There will probably be a choice between a fixed or variable rate of interest, with options to change between the two at set intervals. There may be an interest-free holiday—in exchange for a higher rate later on—for part of the period.

With sums like this involved, no bank manager is going to advance the money on a seat-of-the-pants basis. The customer will have to present a sound business plan and show that there are proper financial controls in place in the business.

A demand for the latter also points to another way in which banks have been developing in their relations with small businesses. Only a few years ago, most bank managers paid little attention to management accounts, relying on a customer's bank statement as a gauge of performance.

But the bank statement only reflects the business's cash book: it merely measures the daily ins and outs of cash, and does not relate sales to the cost of achieving them. As a means of analysing trends in key business ratios, or forecasting next year's performance, it is useless.

Now, the banks which are most active in the small business sector train their up-and-coming managers as never before in management accounting. Secondment of staff to enterprise agencies, where small businesses get free advice, has proved an eye-opener for many, making this a valuable tool for bank management development. All the banks participate.

Some banks are also

reorganising their branch structures to concentrate expertise in particular branches. This puts small business experts into key positions, and small business customers will be increasingly directed towards them.

Barclays, for example, has set up an advisory service, providing specialised consultancy for small businesses. The banks may be demanding more professionalism from their customers, but they themselves have, in turn, become much more professional too.

The one danger in all of this, however, is that the banks will play it too safe by not lending money to the riskier ventures that may nevertheless become high fliers if nurtured through their early days. This is where the Government's loan guarantee scheme (LGS) comes in.

The LGS, which is also supposed to help people who have insufficient collateral for a loan, has been revamped this year. The Government has been trying to re-launch it—although its promotional literature is only now being printed, five months after the scheme's new rules became operational on May 1.

Under the LGS, the Government guarantees 70 per cent of the loans (it was originally 80 per cent) to risky new ventures, but a new being printed, five months after the scheme's new rules became operational on May 1. The premium was originally 3 per cent above commercial rate. This was raised to 5 per cent, but has now been dropped to 2.5 per cent.

The Government now wants numbers of approvals under the scheme to rise to 400 a month as soon as possible. This was the peak reached three years ago when the Treasury insisted on changing the rules because of the losses it was causing the Government. Then, the rate of take-up dropped to 45 a month.

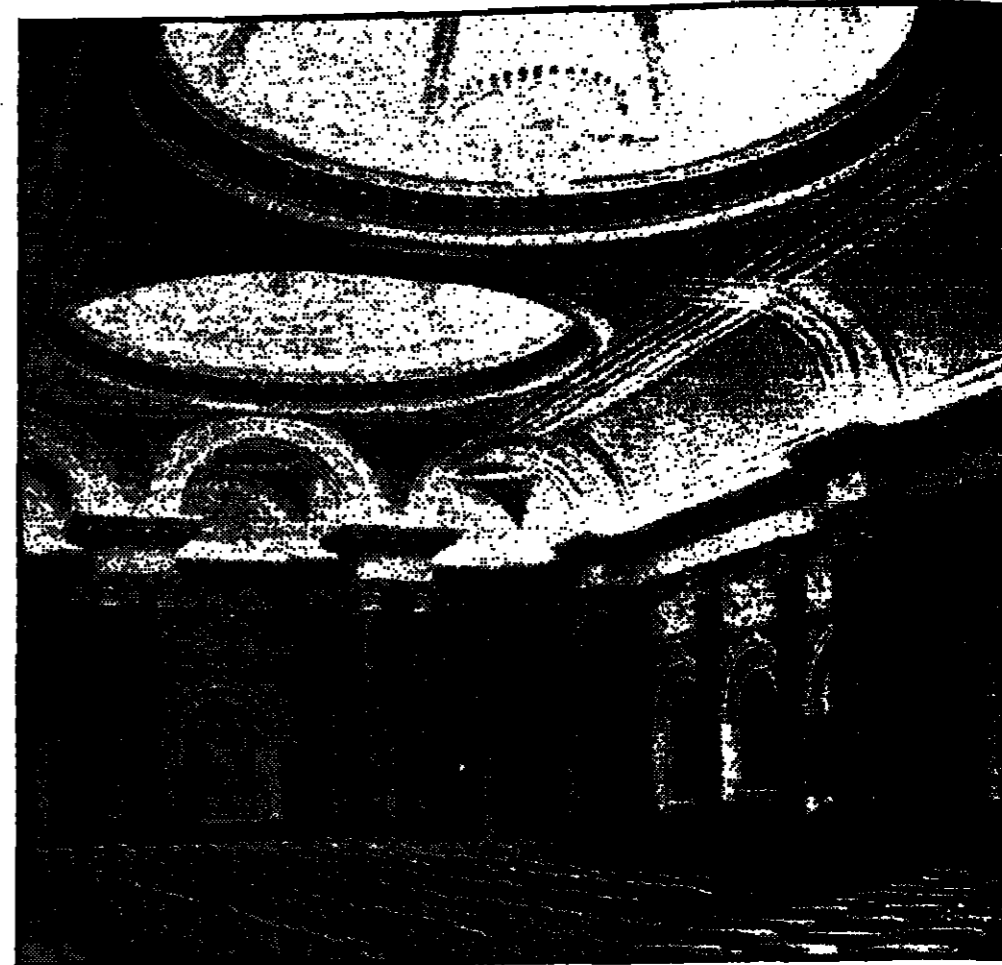
So far, 424 loan guarantees worth £16.1m have been approved under the new rules. Half have been to new businesses, and half have gone to financing expansions. This represents a rate of about 100 a month without serious promotion of the scheme.

The total of all monies advanced under the scheme now stands at £250m in more than 17,000 guarantees. Net losses borne by the Government have topped £100m by the end of July.

But to put this into context, NatWest alone has more than £1.5bn out with small businesses under just one of its loan schemes. Half of this is guaranteed by anything other than normal types of collateral—such as business and personal assets—and the sweat of the borrower's brow. This is the commitment of the banks to the small business sector.

It is unlikely to diminish. Indeed, the supporting services offered will almost certainly become more sophisticated as the banks get to understand the needs of their small business customers better.

Ian Hamilton Fazey



National Westminster Bank, in Bishopsgate, once a banking hall, is now a conference centre. NatWest lends £50m a month under its business development loan scheme.

Export Finance

Fresh look at costs

FOR Most of the year, the City's export finance managers have been preoccupied as much with a single domestic issue as with the state of their overseas borrowers' creditworthiness—or lack of it.

That issue is the Government's review of fixed-rate export finance, the longer-term lending supported by the Export Credits Guarantee Department to help overseas sales of capital goods.

Negotiations between the banks, the ECED and Treasury, with the Bank of England in the chair, dragged on fitfully through the summer, breaking up into a series of meetings with individual banks. Further round-table discussions were imminent at the time of writing.

Meanwhile, exporters themselves have become increasingly alarmed by Treasury proposals for cutting the cost of government support for fixed-rate export lending.

After the CBI protest earlier this year, that businessmen were being left out of the discussions, a senior ECED official, Mr Fred Chapman, has been attending meetings of the CBI's export credits committee.

Last month, Mr Don Holland, chairman of the committee, wrote to Mr Alan Clark, the Trade Minister, to say that, if the Government were to pass on to banks some of the costs of arranging finance, exporters would end up having to pay in the end. That, the CBI argues, would further damage export prospects at an already difficult time in world markets.

The Treasury's initial proposals, for a large reduction in the margins paid to the banks and for greater use of the cheaper capital markets, were greeted with cries of dismay by many of the bigger banks. Since then, bankers believe, the Treasury has come to accept their argument that the costs of arranging this type of finance are greater than might appear—not least because so few of the big contract negotiations they embark on these days result eventually in a sale.

Because of this, and because of the increasing complexity of the subsequent discussions, much of the heat appears to have been taken out of the confrontation.

At first the Treasury emphasised the need to reduce margins to reflect the falling cost of money. It suggested that margins on sterling loans could come down from 7½ or 1 per cent to 4½ per cent over London Inter-Bank Offered Rate (Libor). The margin on foreign currency loans should drop to 3½ from the present 4½ to 7½ per cent over Libor, it said.

But gradually the focus of the negotiations has shifted from the margins themselves to ways of refinancing trade loans through the capital markets. Recently, the Treasury is said to have proposed that, at some point during the life of the loan, the ECED or another institution would "buy out" the funding bank and refinance the loan on the already existing market paying the bank some margin to compensate it for costs incurred

up to that date. This proposal looks similar in intent to ideas already tested, and eventually rejected, for establishing a separate export bank owned by the big lenders but backed by the ECED to raise money at very fine rates.

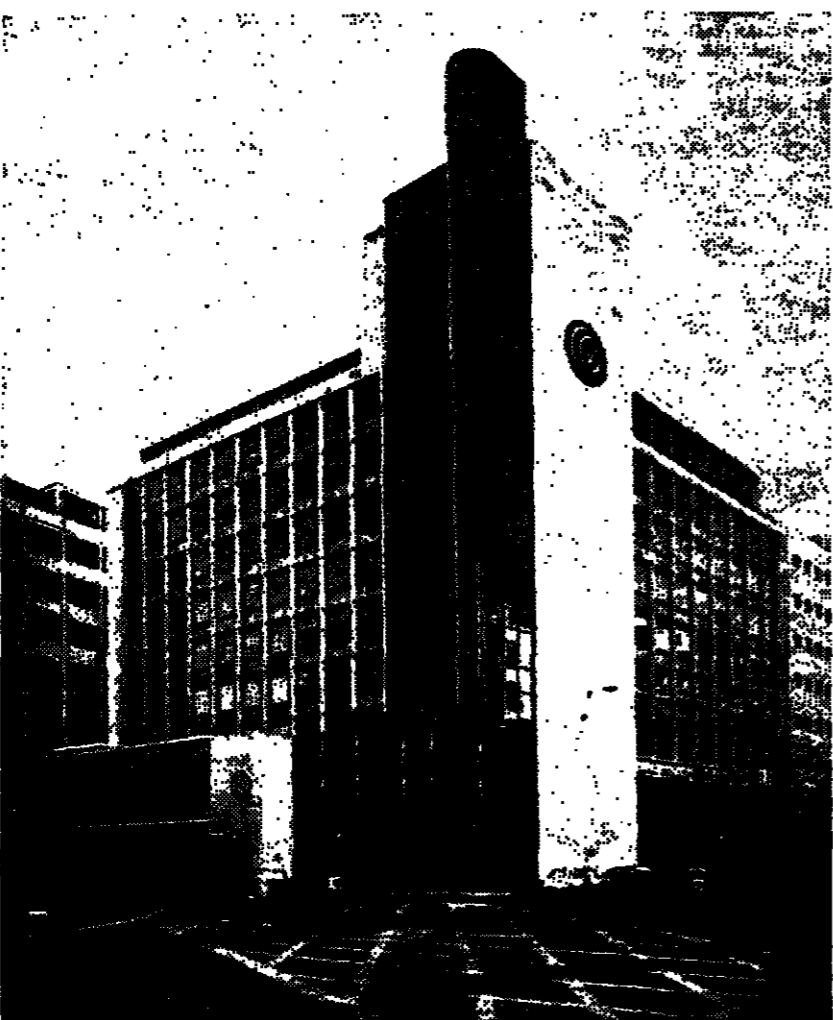
The Treasury has, meanwhile, modified its margins proposal with a reported move to pay according to the size of the export credit. There would be three categories of loan, with smaller deals probably carrying a higher margin than larger ones.

Bankers remain adamant, however, that their export finance business is not showing enough profit at the moment to allow them to shoulder a greater burden, even if some have always accepted that a review of margins was overdue. They say that either export finance departments will be further reduced, or customers will have to pay more for work the banks put into contract negotiations, whether or not those negotiations are ultimately successful.

To the Government, a review of the public cost of supporting fixed-rate export financing certainly must have seemed long overdue, given the rapid development of cheaper alternative sources of longer term credit. Unfortunately for the Treasury, however, the review has come at a time when the banks, as well as the exporting community, are struggling to maintain a presence in increasingly difficult overseas markets for this end of the business.

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Venture Capital

Buy-outs bring benefits

ONE OF the few consistent features of British venture capital industry has been the growing involvement of banks.

Subsidiaries of merchant banks and clearers last year provided just short of a quarter of the £235m in venture capital specialist risk capital institutions, up from nearly 20 per cent of the 1984 total, according to Venture Economics, the US-owned research consultancy. That means they represent the most powerful force in venture capital groups which have traditionally represented the mainstay of the business.

There is no doubt that banks' contribution to risk investment is set to grow further. Not that their arrival is entirely new. After all, Charterhouse Development, part of Charterhouse merchant bank, became Britain's first venture capital group at its foundation in 1934, while 31, owned by the top clearers and the Bank of England, has been making unquoted investments for more than 40 years.

However, the explosion in the availability of venture capital in recent years, and in the demand for it, has highlighted more than ever the potential rewards for banks that are able to manage small business investments.

An involvement in venture capital has been seen by several banks as a logical way to squeeze more out of existing resources. The clearers, in particular, have been attracted by the opportunity to use venture capital as a way to add value to their extensive branch networks.

All of the top four clearers have set up venture capital

offshoots since the turn of the decade, either as direct subsidiaries—like Midland—or as part of their merchant banking offshoots, as in the cases of Barclays, Lloyds and National Westminster.

Moreover, according to Venture Economics, 12 of the 16 London Accepting Houses are "major players" in venture capital as investors, fund raisers, or fund managers. Their presence in the industry has enabled them to move into the industry fast.

The most important reason for the jump in their dominance over the past year is that the character of venture capital is being changed by the increasing popularity of management buy-outs, so that bank finance is getting more important to more deals. Management takeovers worth £930m took place last year, more than three times the 1984 total of £235m, according to a recent study by the University of Nottingham's Centre for Management Buy-Out Research.

Ironically, the buy-out craze has been triggered by something which has very little to do with venture capital: a growing trend among big companies to restructure and shed peripheral activities in favour of a more focused approach to core businesses. So it is that the typical large buy-outs of the past year have tended to include cash-generative businesses in fairly mature industries—like Lawson Marston, in packaging, or Parker Pen—far cry from the risky young start-up companies popularly associated with risk investment.

Of course, buy-outs are made possible by management teams' ability to borrow against the

assets of the business they want to purchase. Accordingly, debt is usually a much bigger component of such deals (debt equity ratios of three-to-one are not unusual) than venture capitalists' traditional share in trade, equity finance.

Buy-outs have temporarily overshadowed, but not diminished, another reason why banks have moved into venture capital. Some involvement in small businesses—whether as an investor or just financial adviser—can be a way of forming links with the big corporate fee-earners of tomorrow. This argument has been reinforced by the success of the six-year-old Unlisted Securities Market in providing a relatively cheap and flexible way for unquoted investors to realise their profits.

USM candidates do not have to hire a merchant bank sponsor so long as they have a stockbroker, yet banks account for five out of the top 10 junior market flotation sponsors. Leading the merchant bank league is County, with 17 new issues to its name, followed by Hambros with 15, and Samuel Montagu with 13, according to accountants Peat Marwick.

How long venture capital will remain attractive to banks is another matter. Britain's risk investment business has yet to prove whether it can survive a sharp downturn in the market for new issues. Flotation sponsors were already warning at the time of writing that the harsh competitive environment after the Big Bang might force them—at least for a while—to take a much more critical view of which new issues are likely to be profitable to handle.

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Technology

Benefits expected from Eftpos by retailers

	%
Cost of cheque and cash handling reduced	60
Risks of cash handling reduced	55
Cheque and credit card payments credited to retailer's account more quickly	50
Faster transaction times per customer	45
Reduced fees to credit card companies	40
A single system for all credit cards	35
Credit card slip handling eliminated	30
Credit-authorization telephone calls eliminated	25
Integration of payment with other POS functions	20
Reduced cheque and credit card fraud	15
More up-to-date cash management information	10
Easier reconciliation with bank statements	5
Competitiveness with others installing Epos maintained	0
Increased sales per customer	0
Attractive to customers	0
Longer opening hours possible	0
Opportunities to offer financial services opened up	0

Source: Butler Cox & Partners

Alternatively, should there be a lower limit, say £20, below which the banks would guarantee payment without electronic checks, in the same way that they guarantee cheques payable to the cash? Add to these theory, but not insuperable, difficulties the question of credit cards, and the delay for the delay becomes clearer.

Epfos was conceived originally as a debit system — the instantaneous electronic movement of funds from the retailer, without the costly and time-consuming paper trail that accompanies the clearing of cheques.

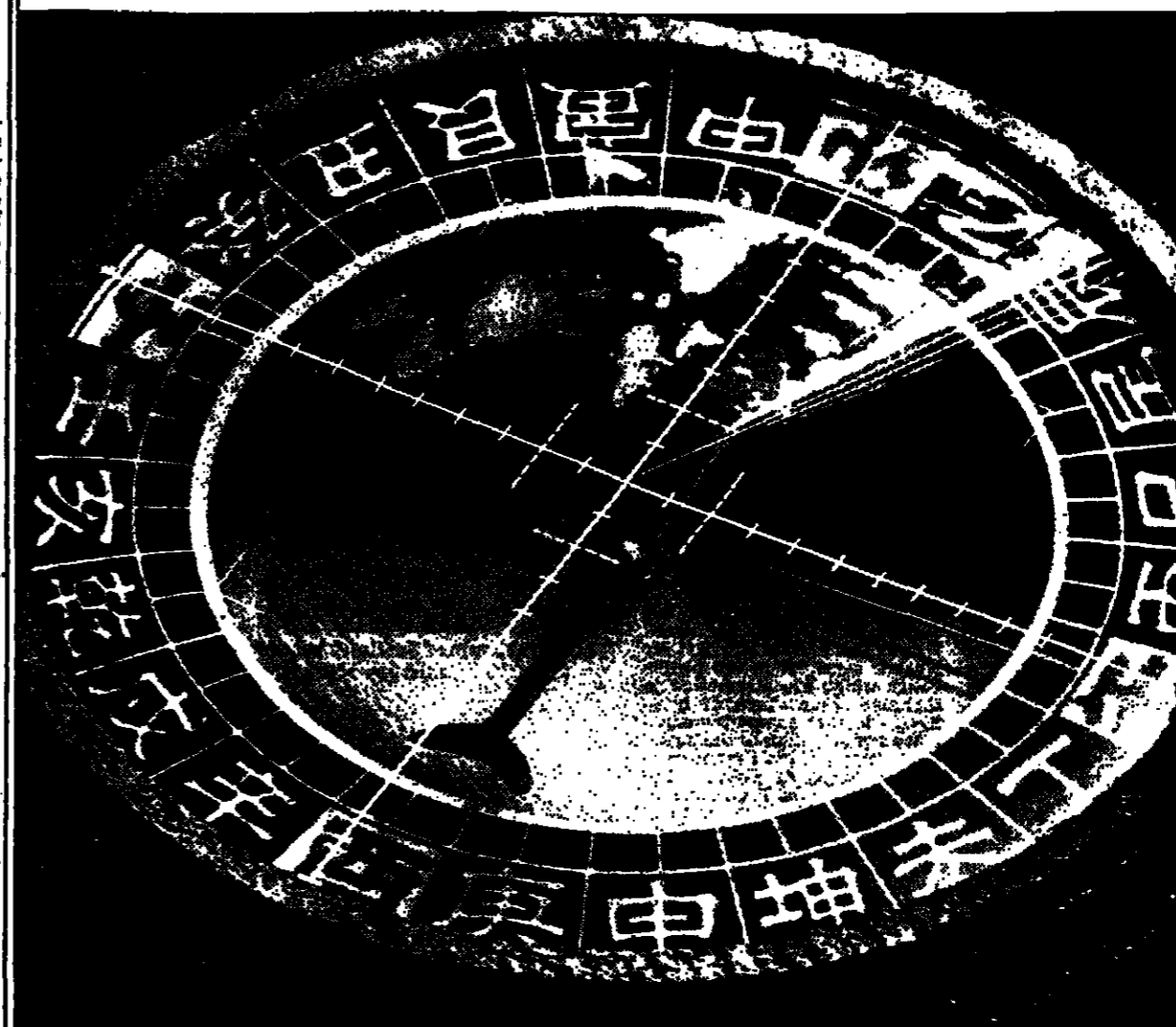
But as the banks, however, credit is a booming business, and it became apparent earlier this year that they would see greater benefits in an electronic credit system than in a debit-card system.

All the major banks are experimenting with epfos systems on a small scale, but have not yet decided to launch them and when a national scheme is introduced.

Decisions about the merging of customer files are just as significant. The banks are marketing efforts, but the banks are

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A delayed start for eftpos

is the intended use of a credit card for convenience rather than extended credit, which dwindles into a means of borrowing. Payment by card—in petrol stations, for example—is often easier and quicker than

	VISA %	American %
Petrol	18	18
Other Motoring		
Expenses	5	4
Shopping and Footwear	13	13
Travel and Holidays	12	12
Electrical Goods and Camera	11	11
TV and Home Improvements	6	7
Furniture and Furnishings	7	9
Business Expenses	6	4
Food and Groceries	5	7
Entertainment and Liquors	4	4

Source: AEB Index 1965

have conducted their own
effpos experiments. Clydesdale
Bank, subsidiary of Midland,
led the field until recently with
its Counterplus scheme operat-

and is run by a plastic card, is proving extremely successful, with 2m accounts expected by the end of the year.

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Isle of Man

The message is getting across

THE ISLE of Man's deposit base grew by 13 per cent in the first half of 1986, and looks set to maintain the 16 per cent annual growth rate it has achieved during the last two years.

The actual figure on deposit on the island was £290m at the end of June. This may be small by international offshore standards — Jersey's deposits have usually been up to ten times bigger — but, given continuing growth, the figure will have gone through both the £20m and £30m marks in less than 22 months.

Isle of Man banks would therefore appear to be thriving, which suggests that the campaign by the island's government to develop financial services as the principal plank of the local economy is working. Indeed, the picture may be about to get even better for, according to Mr Jim Noakes: "Things have gone pretty quiet during the run-up to the Big Bang."

There are two principal reasons why confidence is growing in the Isle of Man as an offshore centre. One is that the island undoubtedly has a very good sales message with which to fight the offshore competition; but the other includes Mr Noakes himself, though he is also part of the sales message. A former Bank of England official, he is the island's banking inspector. He has a counterpart in the insurance sector, Mr Duncan Neil, who used to arrange large-scale insurance in the chemical industry.

They are backed up by a permanent commission headed by Mr Mark Solly, an expert on the island's taxation and commercial laws, and whose books on these subjects are standard works. The inspectors and the commission have real teeth: when the Isle of Man boasts that it has inspection machinery that makes its banks as safe as they can reasonably be expected to be, it is a fair one.

Why it needs to make such a boast is that the ghost of the Savings and Investment Bank — which collapsed in 1982 with £40m of depositors' money — still haunts the narrow and crowded thoroughfare of Athol Street, the heart of the financial centre in Douglas, the island's capital.

This collapse would probably not have happened with today's inspection standards. That it was able to happen at all,

however, says much about inspection standards prior to 1983. That the machinery was set up very quickly after the collapse also suggests that there was a lot to be put right.

Litigation is in hand to lay the blame at the island government's door before a censure of limitation expires in 1988. Meanwhile, the official report on the SIB collapse remains unpublished — to many, the one black mark against government protestations that the island has now definitely got its act together on openness, inspection and control of all banking operations.

However, the growth of the deposit base speaks for itself. Who is behind this activity? Mr Noakes says: "It is the bigger banks which are attempting to increase their share of business. They are competing much more strongly than in the past." The Isle of Man's main competitors are, of course, the Channel Islands. Promoters of the Isle of Man's attractions stress that no one on the island is "knocking" Jersey and Guernsey when they say it, but that a big part of the Isle of Man's sales message is a claim that its main competitors are full up.

Relatively speaking, Jersey and Guernsey are high-cost centres now. Their financial services are booming, and many able people have been attracted to operate them. Salaries are commensurately high, and local labour is generally expensive, so overheads are well up on Douglas levels. Moreover, there is little space left for development and difficulty in obtaining work permits.

They are victims of their own success," says one of the Isle of Man's leading banking figures. "No matter what they say, there are capacity limits. Physically, the Isle of Man is ten times their size and, relatively speaking, empty."

The reason why it is empty — there are only 65,000 people in 221 square miles — is that, for decades, the island stuck to its traditional way of life and made little attempt to woo international business.

Only in recent years — as the old tourist industry has declined — has the need for economic planning and development become clear.

Ian Hamilton Fazey



The Royal Bank of Scotland has won back its pride after an unhappy start to the 1980s

Channel Islands

Keeping the young at home

BANKING HAS acquired an importance, and a prestige, in Jersey and Guernsey that could probably not be matched anywhere else in the British Isles outside the City of London.

Channel Islanders well know, since they are reminded every Budget day, that it is largely the contribution of the finance industry that is producing regular revenue surpluses, keeping down taxation, and paying for education, health care and other social services.

The openings for school-leavers in banking and allied fields have transformed the employment scene, and young islanders no longer have to face the prospect, as they did when the UK clearers were the only bank employers, of moving to the mainland to further their careers.

Virtually all the current office development in St Helier and St Peter Port is for banks and finance houses, while cultural and sporting associations looking for sponsorship now instinctively turn to the banks as the likely benefactors.

Apart from branches of the clearing banks, there are now nearly 55 licensed deposit-taking institutions operating in Jersey, and over 40 in Guernsey. They cover the whole spectrum

of the banking world, from offshore finance subsidiaries of the clearers, British merchant banks and leading City discount houses, to subsidiaries and branches of major foreign banks.

Twelve US and four Canadian banks are established in the islands, and most European countries have at least one banking presence there. Australia, India, South Africa and Hong Kong are also represented.

Swiss involvement, previously limited to Jersey's Bank Cantone, has been widened with the arrival in Guernsey of Crédit Suisse and Rothschild Bank Switzerland — in the latter operating quite separately from N. M. Rothschild's Channel Islands subsidiary, which has been active in Guernsey since 1967.

In preparation for a separate local offer in November, to follow the main TSB Group flotation, TSB Channel Islands has been formed in Jersey with an authorised capital of £7.5m. Established in the early 19th century as distinct Guernsey and Jersey savings banks, and combined into a joint Channel Islands operation in 1975, TSB is now a major force both locally and in the offshore field. Britain's Girobank, operating

SOME OF the most important events in Scottish banking are actually taking place in England. The two independent Scottish clearing banks, the Royal Bank of Scotland and the Bank of Scotland, are both trying to expand south of the border, and they are doing so in intriguingly different ways.

Scotland is, if not overbanked, at least somewhat short of new opportunities for retail banks. The Royal Bank, Bank of Scotland and the Clydesdale, which is wholly owned by the Midland, each have their own branches in every town and important village in the country. The Trustee Savings Bank, the bank whose origins are in Scotland, is chasing them as it moves increasingly into retail banking. With the Scottish economy not exactly booming, there is not much room for expansion at home.

Until the early 1970s the Scot-

ish and English banks enjoyed a gentlemen's agreement that neither group should compete on the other's territory. That was then broken when the English banks, led by National Westminster and Barclays, began expanding north of the border.

"It was really a blessing in disguise as it meant that we could go into the English provinces," says Mr Bruce Pattullo, the treasurer and chief executive of Bank of Scotland. "The English market is of course much bigger than the Scottish."

The question was how to do it. The bigger of the two independent Scottish banks is the Royal Bank, whose assets in September 1985 were £15bn, compared with the £8bn of its competitor. The Royal Bank went through an unhappy time at the beginning of the 1980s when its desire to merge with Standard Chartered was blocked by both

nationalist pressure and by the Monopolies Commission, which also ruled out the rival bid from Hongkong and Shanghai. Since the Royal Bank's management had said that they saw no long term future for the bank on its own, their self-confidence was for a time shattered.

But the bank has since won back its pride and, in the words of one observer, "gone almost to the opposite extreme" in terms of self-esteem. The management of the Royal Bank group decided to merge its two subsidiaries, the Royal Bank itself and Williams and Glyn's, into one bank — the Royal Bank of Scotland.

The merger took place in September last year and the identity of Williams and Glyn's disappeared forever. The Royal Bank had gained overnight 330 branches in England to add to its 540 in Scotland. It hopes eventually to gain savings in senior management staffing, as well as the benefits of having a larger operation to which each bank has contributed some complementary areas of specialisation.

Observers of the banking scene say that the merger was a somewhat "messy" one, but that its benefits should soon emerge in the form of higher profits — in the financial year to September 1986 the bank made pre-tax profits of £166.3m. "The operational savings ought to be quite considerable, though there is no evidence of them yet," said one analyst.

In the meantime, the Royal Bank has, like its fellows in the south, prepared itself for big bang by buying the merchant bank Charterhouse Japhet for £151m. It has also bought a stockbroker, Tilneys of Liverpool.

Bank of Scotland did not have the benefit of owning a commercial bank in England, nor did it feel it could afford to establish a viable branch network there. "It would not be a liability, but the time, a while, it might become one may not be so far off," says Mr Pattullo.

Instead, it has developed a different sort of "delivery system," in Mr Pattullo's phrase. It has established nearly 10 regional offices to tap the English corporate market, and is approaching the personal sector market by means of a series of joint ventures — with the Automobile Association, for example, through which it markets Visa Card, budget accounts

and personal loans; and with the Alliance Building Society for a combined chequebook-deposit account scheme called Alliance Banksave. It provides mortgages in the UK in association with the Scottish Life Assurance company.

"We've got a lot of pigeon holes and now we want to link them all up," says Mr Pattullo. The way the Bank of Scotland wants to do this is through the expansion of its home and office banking system, called HOBS. This is the first home electronic banking system which enables a private or business customer to make payments and transfers from his home or office via a television set plugged into the Prestel system. It is aimed particularly at small businesses such as lawyers, dentists, farmers and so on.

"I pay all my bills sitting in my chair at home on a Saturday evening," says Mr Pattullo. "It means, among other things, that the dog doesn't get a walk to the letter box."

Mr Pattullo is convinced that this will be the way in which everyone does his banking in five years time. But, so far, the Bank of Scotland's enterprise has not been emulated by any other clearing banks, though Midland and Barclays are said to be studying the idea. Bank of Scotland says that the customer acceptance rate for HOBS is satisfactory but does not quantify it. The beauty of the system from the Bank of Scotland's point of view is that it can pick up customers in, say, rural Norfolk, who may never have set eyes on a Bank of Scotland branch.

But innovation has its costs in terms of capital expenditure which analysts say may be affecting the bank's profits, which in the year to February 1986 amounted to £95.2m. Now the bank has to disprove the cruel saying: "Pioneers tend to get scalped."

The Bank of Scotland is also refusing to follow the herd in its approach to big bang. Mr Pattullo says: "I believe a lot of Big Bang will end up in tears in a bear market." His bank has not made a massive investment in merchant banks or stockbrokers. It shuns bigness for its own sake and prefers to make its way to its objectives on its own. It has, however, become one of the institutions that are to carry out lead underwriting for Cazenove, which is also proudly standing aloof from the conventional response to Big Bang.

James Buxton

Edward Owen

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